



# Ohio's Budgets

## Overview of Ohio's Budgets

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The Ohio Legislature is constitutionally required to enact legislation in order for state money to be allocated and spent. They do this primarily by introducing a series of two-year state budget bills that allocate funds. Every budgets goes through the legislative process. The state operating and capital budgets are the most well known, but other budget bills include the Department of Transportation, Worker's Compensation, and Industrial Commission.

Throughout this document, an asterisk\* will indicate a stage where there is high potential for public input.

## Language Guide

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**State Budget:** a bill that appropriates money from funds to an agency, department, program, or project.

**Appropriation:** an authorization to spend an amount of public money out of a fund for a specific purpose.

**Fund:** a pot of public money mostly collected from taxes and fees; the biggest in Ohio is the General Revenue Fund.

**Fiscal year:** the state fiscal year begins on July 1 of the prior calendar year and runs through June 30 of the following year. Fiscal year 2025 runs from July 1, 2024, through June 30, 2025. Most budgets fund two fiscal years.

**Capital project:** public infrastructure project generally with an expected life span of at least five years.

**Community project:** infrastructure project of significant local or regional benefit or interest.

**Line item:** name of appropriations project for record-keeping purposes.

**Earmark:** language in law that sets aside a portion of a line item for a specific project or program.

**OBM:** The Ohio Office of Budget and Management is a cabinet-level agency within the executive branch of the Ohio state government that provides financial management and policy analysis to help ensure the responsible use of state resources.

**LSC:** The Legislative Service Commission is a nonpartisan agency providing the Ohio General Assembly with drafting, research, budget and fiscal analysis, training, and other services.

## Operating Budget

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The operating budget is the largest bill introduced by each general assembly. It includes both appropriations (money to be spent) and policy changes (laws) needed to implement the budget. The operating budget funds state agencies, the legislature, the judiciary, and other elected officials' offices.

The operating budget is primarily funded through the state's General Revenue Fund (GRF), which is comprised of revenue from income tax, sales and use tax, other state receipts, and some large federal grants. In addition to the GRF, the operating budget appropriates from other funds which are usually collecting revenue for predetermined purposes.

The operating budget appropriates billions of dollars biennially from all funds. Though the budget is biennial, each line item has an appropriation for each fiscal year.

## Operating budget process

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The operating budget funds two fiscal years and the legislative process to pass the bill takes five to six months, generally running from January-February to June 30th in odd-numbered years. It is usually one of the first tasks of each new General Assembly to pass a constitutionally required balanced budget.

Traditionally, the operating budget process begins before a bill is introduced with the Office of Budget and Management (OBM) producing revenue and expenditure forecasts. OBM requests information from state agencies on the amount of funding they desire to maintain or expand their operations over the next two fiscal years. OBM works with the agencies throughout the fall to finalize their budget requests and takes these requests to the Governor in the winter. The Governor, with this input, publishes a "Blue Book" with recommended budget funding\*. The

Governor's proposed budget is usually presented to the legislature in late January to February, unless the Governor is new to the office, in which case it must be submitted by March 15.

The Governor's budget is written in the form of a bill by the Legislative Service Commission (LSC). It is usually introduced in the Ohio House first, where it is referred to the Finance Committee. Multiple committees hear testimony on the bill from agencies and the public and give their recommendations to the full Finance Committee\*. Members may also submit amendments to the Finance Committee Chair\*. For more on the committee system, click [here](#).

From this point, the legislative process is followed: upon passage in the House Finance Committee, the bill goes to the House floor, Senate Finance Committee\*, and, finally, the Senate floor. There is almost always a conference committee to work out differences between the House and Senate, with members deciding which version of the bill to use for each different line item and then rebalancing the proposed bill. For a guide to the legislative process, click [here](#). LSC publishes fiscal and language comparison documents between each version of the bill, which can be found in their [Budget Central](#). In June, OBM and LSC update the fiscal outlook for the state's upcoming two fiscal years, which often changes the amount of money available to be allocated in the budget bill. After changes based on the fiscal outlook, conference committee agreement, and consent of both chambers, the final version of the operating budget is sent to the Governor's office usually in late June.

The Governor should sign the budget by July 1st, the start of the new fiscal year. His signature is accompanied by a message of any line-item vetoes which express his disapproval of certain appropriations. The legislature can override his veto with a 3/5 vote in each chamber.

## Capital Budget

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The state capital budget funds physical buildings, assets, construction, renovations, and other infrastructure for state agencies, colleges and universities, and school districts. Additional appropriations may be made for infrastructure for community projects of local significance or benefit. OBM has guidance for community project funding [here](#).

Unlike the operating budget, the capital budget is mostly funded by long-term debt issued by the State of Ohio. For information on state debt, see OBM's page [here](#).

The capital budget is not constitutionally required.

# Capital budget process

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The capital budget process normally takes place during even-numbered years and the process is relatively similar to the operating budget. Generally, in late summer, OBM initiates the Executive process by reaching out to state agencies. OBM works with agencies to finalize their requests and submits them to the Governor.

Frequently, lawmakers have their own applications for community projects\*. The executive and legislative branches usually collaborate to produce the first version of the capital bill.

Once the Governor officially proposes a capital budget to the legislature, the legislature follows the same process as for the main operating budget\*- usually a final bill is delivered to the governor in a matter of weeks.

## Resources

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Legislative Service Commission's [Budget Central](#)

Legislative Budget Office of the LSC: [Main Operating Budget in Brief](#)

LSC's Guidebook for Ohio Legislators, Chapter 8: [The Ohio Budget Process](#)

Office of Budget and Management: [Budget and Planning](#)

OBM's [Tips for Successfully Securing Community Project Funding](#)

OBM's [Capital Budget Guidance for State Agencies](#)

