

Reforming and Transforming State and Local Government

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Chairman Widener, Vice Chair Jones, Ranking Member Skindell, and members of the committee, thank you for the opportunity to share details about Governor Kasich's government reform agenda. My name is Randy Cole, and I serve as Controlling Board President and Policy Advisor at OBM. These strategies for broad relief and reform lay the groundwork to transform the way government leaders deliver vital services and reduce bureaucracy across Ohio's 3,700 units of government. These reforms are critical to our efforts to get better results and more value for Ohio's taxpayers.

After starting my career here in Columbus as an LSC intern, I've spent twenty years in local government and the private sector working to make government more efficient and save taxpayers money. For the past two years, I served Ohio Auditor of State Mary Taylor, working with schools and local governments in fiscal distress and overseeing dozens of performance audits designed to increase government efficiency. At Mary Taylor's request, I coordinated the 2009 "Summit on Local Government Sustainability" and developed the "Shared Services Idea Center" website. During that time, I've seen the best and worst of what is happening around our state.

With that experience and perspective, I have been working with Policy Director Wayne Struble, OBM staff, and local government and education leaders throughout Ohio to develop the reform initiatives included in Governor Kasich's Executive Budget.

The Executive Budget utilizes four strategies for reforming and transforming state and local government services;

1. Reducing mandates
2. Using 21st Century technology
3. Expanding shared services
4. Increasing flexibility and cost containment

When combined, these strategies prepare the way for delivering high quality services to Ohio's citizens at the lowest possible cost.

1. Reducing Mandates

The Executive Budget reduces or eliminates a number of state-imposed mandates, rules and regulations. Many of them are obsolete, redundant or counterproductive.

An example is prevailing wage requirements for publicly-funded construction projects. These requirements drive up costs to taxpayers of government building construction and limits the firms that can respond to bid solicitations.

- The Jobs Budget doesn't eliminate prevailing wage but updates it by increasing its thresholds.
- It exempts Department of Development-funded projects and state colleges and universities.

2. Using 21st-century Technology

Business constantly seeks new ways to embrace technology to reduce its costs and improve the quality of services to taxpayers. Government is long overdue in making the same improvements. The governor's Jobs Budget helps bring Ohio government into the 21st century with a range of simple changes that can have a big impact in terms of both savings and improved service to taxpayers.

An example is the proposed new statewide public notice website available for use by all public entities.

- It could be used for all public and bid notices;
- There would be no costs to governments that use it;
- Participants will still be required to run an ad in the local newspaper, but it would be smaller and less expensive than currently required, for a potential savings of as much as tens of millions of dollars annually. Cuyahoga County spent \$750,000 in 2007 alone
- It would more easily link Ohio businesses with Ohio's 3,700 local government entities that are their potential customers.

The Jobs Budget also allows local governments and schools to explore e-commerce opportunities and use internet tools and websites to produce new revenue.

3. Expanding Shared Services

The budget promotes shared services in two ways:

- First, we are tearing down barriers which have prevented them from working together and

- Secondly, we are proposing five different initiatives aimed at reducing costs and rapidly expediting the implementation of shared services.

Universal authority to work across boundaries.

- As an example, currently, four different sections of the Ohio Revised Code specify how townships may collaborate with other governments for the provision of services.
- From now on any school or government will be able to share staff, equipment or facilities through negotiating simple agreements. They can also pool together for purchasing or perform joint projects without having to clear unnecessary hurdles to do so.

County commissions will be able to require other county offices to use centralized services

- purchasing, transportation, vehicle maintenance, human resources, revenue collection, printing and mail operations.
- Independently-elected officials will maintain the authority to carry out their core functions, while creating economies of scale for back-office administrative functions.

Regional Shared Service Centers

- The recent KnowledgeWorks study has estimated \$1.37 billion in potential administrative savings in schools. Unfortunately, multiple layers of regional organizations provide administrative and instructional support services to Ohio's schools.
- Education Service Centers, Information Technology Centers and various regional programs of the department of Education provide overlapping and uncoordinated support for our primary and secondary education system.
- To expand their services or at the request of local governments some of the primary support agencies, the ESCs have formed Councils of Government to develop health care pools and purchasing consortia.
- The Jobs Budget calls for integrating these entities by July 1, 2012 into a single collection of Regional Shared Service Centers that can provide support services to both school districts and local governments.

The Board of Regents

- Is creating an "Efficiency Advisory Committee" to review efficiency plans across all of the institutions of higher learning in Ohio.

Public Employees Health Care Program

- Since 2006, the School Employees Health Care Board has studied the opportunities for savings and increased benefits coordination across Ohio's primary and secondary schools and institutions of higher learning.
- Identified more than \$300 million in potential two year savings.
- As a benefit to the employees of the State of Ohio, the Department of Administrative Services coordinates a program for our 58,000 employees and their families. Local government officials across the state have requested access to our program.
- We will evaluate the creation of a separate "Public Employees Healthcare Program" by studying existing purchasing consortia and pooling to determine additional best practices and what efficiencies have been gained through economies of scale.
- May develop regional pools of employees to allow local governments and schools a more efficient delivery system of quality health benefits.

4. Increasing Flexibility and Cost Containment

We recognize some of the savings and efficiency measures will take time to develop. One immediate cost savings measure is shifting the pension contribution amount by 2% from employer to employee saves \$570 million. All but \$60 million of that is saved by schools and local government.

On some building projects, colleges and universities, schools and local government will be able to

- replace multiple prime contractors with a single prime contractor
- use the design build, construction manager at risk and design assist processes to share risk and, create new incentives to help bring construction costs down.

Quarterly spending plans will allow county commissioners and other officials with an avenue to keep spending in line and adjust to changes in local revenues.

Counties and other local governments will also be able to utilize furlough days and modified work weeks during times of fiscal distress.

Bottom Line: The Jobs Budget Fosters New Approaches to Governing

The bottom line is this: by reforming the ways local governments are structured and funded in Ohio, the Executive Budget helps build a new approach to governing, giving communities the tools they need to strengthen the fiscal stability and quality of services provided by local governments.

In response to these initiatives and in understanding of the current challenges facing our schools and local governments, A Cleveland *Plain Dealer* editorial from Saturday, March 26th, titled “Unite and Conquer,” recognized the steps we’re proposing as necessary for the overall financial health of Ohio.

We have exciting opportunities to modernize government for the 21st Century and stop fighting to defend the status quo – or worse – holding onto outdated concepts that were born in the 19th Century.