

Ohio Department of Administrative Services Director Robert Blair
House Bill 59 Budget Testimony
Higher Education Subcommittee February 27, 2013

Good afternoon Chairman Rosenberger, Ranking Member Ramos, and members of the House Finance and Appropriation Higher Education Subcommittee. My name is Robert Blair, and I am the Director of the Ohio Department of Administrative Services (DAS). I am pleased to appear before you today to testify in support of the department's operating budget for fiscal years 2014 and 2015.

The primary responsibility of DAS is to efficiently and effectively manage the business associated with operating Ohio's government. The services we provide reach all state agencies and many local municipalities.

DAS is organized into six divisions: Human Resources, General Services, Information Technology, Equal Opportunity, Collective Bargaining, and Administrative Support. Each of these divisions plays a very important role in fulfilling the mission of DAS.

Through these divisions, DAS provides centralized business services to all of our state agencies through equal opportunity staffing, procurement of goods and services, property management and information technology activities. Centralization of back-office business functions is a powerful tool that lets us limit costly redundancies in state government. Through smart consolidation, state agencies are able to shift their human and financial resources from the back office to their mission-critical public-facing activities. House Bill 59 will allow DAS to continue to provide these centralized services so that the other state agencies can devote their resources to what citizens and businesses throughout Ohio need and expect.

I would like to begin the discussion of DAS's next biennial budget by touching briefly on our general revenue funding. Less than ten percent of the GRF in our budget goes toward the programs managed by our operating divisions. In fact, most of the department's GRF funding pays for debt service and rent payments on behalf of other state agencies in buildings owned and managed by DAS.

Overall GRF funding for DAS increases by about seven percent when comparing fiscal year 2014 to 2013 and by another three percent when comparing fiscal year 2015 to 2014. The increase is primarily due to a new line item that will permit DAS to make debt service payments related to the upgrade of the state's Multi-Agency Radio Communication System, or MARCS, and to additional funding to support the activities of Lean Ohio. I will be talking more specifically about both of these programs later in this testimony.

But general revenue funding accounts for only one-third of the overall budget at DAS. The majority of DAS operations are supported by non-GRF funds that receive revenue from state agency customers for the services we deliver. We are constantly looking for opportunities to realize savings for the state as an enterprise. Across the board, the team at DAS works hard to hold down costs so that the rates we charge for our services are as low as possible.

DAS plays an integral role in lowering the cost of running state government by providing enterprise-wide back-office business services to our customers. I would like to take this opportunity to thank all of the staff at DAS for their hard work on this budget proposal and the work they do every day to support other state agencies.

I would now like to highlight three of the central support services that will receive particular emphasis in the next biennium: Lean Ohio, IT Optimization, and the upgrade of the Multi-Agency Radio Communications System. Each of these initiatives will reduce overall costs to the state and improve the level of service that taxpayers expect.

The mission of Lean Ohio is to make state government services simpler, faster and less costly. This is a novel idea when public perception of government service and speed is normally low. Lean Ohio uses quality improvement tools and principles of Lean, Kaizen and Six Sigma to identify and remove waste, create processes that flow efficiently, and focus on customer needs. The private sector has been utilizing these principles to better deliver services and it is a high priority of this Administration to do the same within state government. With Lean Ohio, agencies focus on their critical priorities and core processes. And when it comes to making improvements, the Lean approach involves and engages the workforce, so change is done with employee buy-in.

In fiscal year 2012, Lean Ohio worked with more than twenty organizations to conduct seventeen major Kaizen events and eight additional improvement efforts. The end goal of each event is to improve the business climate of the state, reduce the cost of doing business in Ohio, and improve the quality of government services.

During the last fiscal year, the return on investment for Lean Ohio was more than 40:1. That is, for every dollar invested in Lean Ohio, agencies saved \$40.

Each Lean Ohio Event has produced successes and I would like to talk about one of them in detail. I'd like to highlight an event that looked at the processes used by the Ohio Housing Finance Authority, or OHFA, for a program called "Restoring Stability." This program aims to help an estimated fifty-three thousand families who are at high risk of default or foreclosure.

Even though the system worked well, OHFA leadership and staff felt there was room for improvement. They wanted to increase the number of people who register and then go on to submit applications and speed up the turnaround time.

Through the use of the tools and techniques of Kaizen, the team worked nonstop for five days. They eliminated fifty-six steps, fourteen unnecessary decision points, eleven time-consuming handoffs, and five loopbacks.

Before making these process improvements, it was taking anywhere from sixty-seven to three-hundred seventy-five days to move applicants from the time they first registered with the program to when funding was received. After the Kaizen event, the newly designed process will take just three to forty-five days according to team calculations. That is a 90 percent reduction, and that can make a big difference to Ohioans whose home ownership is in jeopardy.

The Department of Administrative Services, through its Lean Ohio program, is thrilled to be part of government efficiency successes.

The second initiative I would like to talk about is Information Technology Optimization. The state is embarking on an ambitious effort to increase efficiency, reduce complexity, improve services and realize savings through optimization of IT infrastructure across the enterprise into a unified support organization.

In 2010, the DAS Office of Information Technology researched the “state of Ohio IT” and this is what we found:

- More than five thousand servers were running at six to eight percent of capacity. They should be running at sixty percent, or ten times greater than what was being experienced;
- We found that more than thirty data centers existed across the enterprise. These need to be consolidated;
- We have fourteen separate state networks with annual contractual spend of \$53 million. These need to be reduced and networks condensed to a single state asset.

The state’s current decentralized IT model is inherently inefficient and expensive due to duplication of services, operations and staff. Specifically, agencies spend a disproportionate share of their IT dollars on infrastructure rather than agency-specific business applications. Clearly, we can’t afford to continue on our current path, and I’m excited that DAS can lead state agencies through this transformation. By leveraging resources and through economies of scale, it will be possible to provide comparable services at an estimated annual savings of more than \$100 million, permitting agencies to devote resources to their primary missions.

Where are we today on this project? An IT Transformation plan was published in December. In January, the DAS Office of Information Technology and a multi-agency Transformation Team began to focus on reducing complexity, increasing efficiencies, services and savings. The team is developing work plans and will submit them by July 1, 2013. The Transformation Team will prioritize and execute “quick wins.” Longer-term changes will follow over the next several years.

In parallel with these IT Transformation processes, several key consolidation initiatives are already underway, and I’d like to highlight a few of them.

DAS worked with several agencies to plan the migration of their mainframe applications to OIT’s mainframe. DAS upgraded the enterprise mainframe environment to add capacity for consolidations. Existing mainframe customers have experienced significant processing improvements due to the upgrades. Job and Family Services saw an eight-hour improvement in their month-end batch processing. This prompted the Bureau of Workers Compensation to migrate their mainframe applications, mainframe storage and tape processing to DAS. BWC is projecting a five-year savings of \$13.6 million in operations cost avoidance and up to a six-fold processing improvement as a result of the migration.

Consolidations are not limited to mainframe computing. In the previous biennium, DAS led the migration of 81 percent of the 91 state agencies and boards and commissions onto the enterprise e-mail platform. This change has resulted in increased operational efficiencies and reduced e-mail-related spending for those agencies. As of February 2013, DAS has gone from managing 14,000 email accounts to more than 42,000 accounts resulting in an estimated savings of \$1.6 million annually. Future e-mail migrations will result in the consolidation of another 20,000 accounts with a total annual estimated savings of \$2.7 million.

Additional consolidations are planned for the state's servers. DAS is positioned to migrate state agencies' independent server environments to a shared environment at the State of Ohio Computer Center (SOCC). This move will improve effectiveness and efficiency, resulting in significant cost saving across the enterprise. The Department of Rehabilitation and Corrections (DRC) has engaged DAS to establish a development environment for a new application, resulting in an improved time to market. Rather than building an independent environment, DRC leveraged the enterprise shared server environment and saved an estimated \$1.2 million.

Regarding data center consolidation, Ohio Environmental Protection Agency, the Board of Tax Appeals, Ohio Facilities Construction Commission and Ohio Department of Alcohol and Drug Addiction Services have migrated their IT assets to the shared server environment at the SOCC. Ohio Department of National Resources and DRC are in the process of migrating their IT assets now.

Another important IT Optimization effort is software licensing consolidation. Software licensing consolidation leverages the buying power of the state to realize volume discounts. To date, the state has realized an estimated collective savings in excess of \$2 million. DAS has negotiated Microsoft Client Access Licensing into a single agreement for eight agencies, resulting in an enterprise savings of more than \$700,000 annually.

One of the keys to success of IT Optimization is being able to have employees from multiple agencies staff the transformation initiatives. Assignments could be short term and addressed through a matrix staffing approach or long term to address operational activities. This bill includes temporary language that will allow for the appropriate staffing to make these initiatives successful. Currently there is no legal authority to permit the sharing or transfer of state IT resources. We think state employees will embrace this change, as they will be widening their skill sets and experiences within state government by working for the good of Ohio and not just a particular agency.

There are many more initiatives like these currently underway at DAS related to IT Optimization. I wish I had time to talk about all of them.

The final initiative I would like to discuss in depth is the project we've undertaken to upgrade the Multi-Agency Radio Communications System, better known as MARCS.

Before Ohio had MARCS, there were serious problems with the communications systems utilized by public safety and service agencies. Emergency first responders were unable to communicate with each other, and communication was often lost when first responders ventured out of the county that supported their standalone communications systems. First responders from one county could not talk to their counterparts from a different county, and state public safety agents could not speak with local public safety forces.

Some of you might remember the Shadyside flood disaster in 1990. Incidents like this one underscored these pre-MARCS communications problems. Even though many first responders had portable and mobile radios, their inability to communicate outside of their response groups created serious issues when attempting to rescue and evacuate people on either side of the raging river. With MARCS, public safety and service agencies can communicate with each other regardless of which of the 88 counties they are located.



The current MARCS system, acquired in 1997, provides statewide interoperable communications between first responders at all levels of government – federal, state, county, and municipal. The system enables day-to-day communications as well as communication during catastrophic events.

Authorization to upgrade MARCS was included in HB 482 of the 129th General Assembly and was approved by the Controlling Board last May. The project will upgrade the existing system to next-generation standards – a 700 and 800 megahertz voice and data system specifically designed to support interoperable communications for public safety law enforcement and first responders.

The new MARCS P-25 platform is currently used by several large metropolitan public safety entities in Ohio. Implementation of P-25 standards for MARCS provides a technical path to the highest level of interoperability available. The increased capacity will address current MARCS constraints while providing the necessary growth to accommodate additional public safety and first responder users in Ohio.

The state will build the P-25 system in phases. Work has already begun to build out the central core and support remote communication tower sites, while retaining the full statewide functionality of the existing system.

Upgrading the existing system, as opposed to building a new P-25 system from scratch, allows the state to reuse much of the existing MARCS infrastructure, resulting in significant savings at both the state and local level.

As the build-out of the P-25 system grows, so will the customer base. The upgraded P-25 system will accommodate more than 125, 000 radios. It is anticipated that the customer base will grow from 18,000 in 2013 to 81,000 in 2023 and to 89,000 in 2028. Projected revenue from user fees is expected to cover the annual projected operating and maintenance costs of the system. The value of the MARCS system lies with the local governments who can partner with MARCS for their communication system rather than spend thousands of dollars to create their own system.

Providing you with all of the examples of how DAS works to save the state money through smart centralization would take me longer than your patience would allow. I haven't even touched on the many significant initiatives DAS has underway or plans to launch in the next biennium.

At DAS we are working every day to remain focused on customer service. Over the course of the past two years – and looking forward to the next two – we have taken pride in winning the confidence of our state agency customers.

It has been my pleasure to testify before you today. I thank you for your time this evening, and I would be happy to answer any questions.