Ohio Department of Administrative Services
Ted Strickland, Governor
Hugh Quill, Director

Ohio Office of Budget and Management
Ted Strickland, Governor
J. Pari Sabety, Director

A REPORT IN RESPONSE TO OHIO REVISED CODE 126.507 (Bi-Annual Report) And EXECUTIVE ORDER 2009-07S (Quarterly Report)

(*IMPLEMENTING ADDITIONAL SPENDING CONTROL STRATEGIES)*

FEBRUARY 5, 2010

SUBMITTED BY:

HUGH QUILL
Director, Ohio Department of Administrative Services

PARI SABETY
Director, Ohio Office of Budget and Management

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Executive Summary

A Report in Response to Ohio Revised Code 126.507 and Executive Order 2009-07S dated Feb. 3, 2010 is prepared by the Department of Administrative Services (DAS) and the Office of Budget and Management (OBM) and serves to respond to both the Executive Order's quarterly reporting requirement and to the General Assembly's bi-annual reporting requirement per Ohio Revised Code 126.507. Both Executive Order 2009-07S and Ohio Revised Code Chapters 125 and 126 (Am. Sub. H.B.1, 128th G.A.) contain spending control strategies which are to be utilized by state agencies, boards and commissions, to reduce spending.

This report includes three key sections. Section I provides an overview of the Executive Order and its requirements and of the General Assembly's inclusion of these strategies into the Ohio Revised Code. Section II highlights the prior efforts that occurred from April 22 through Sept. 30, 2009 and summarizes the spending for the fourth quarter of Fiscal Year 2009 and for the first quarter of Fiscal Year 2010. Section II also includes highlights of a survey conducted in October 2009 where agencies, boards and commissions were asked to gauge the effectiveness of the spending control strategies.

Section III focuses on recent actions and updates relative to the spending control strategies. The strategies are organized according to the Oct. 2009 survey results where action was recommended for several strategies. DAS and OBM have also included updates on activities and/or results occurring with the strategies.

As evidenced by this report, DAS and OBM can affirm that these spending control strategies continue to prove effective in helping agencies to reduce their expenses in order to operate within their annual appropriations. In total, agencies cumulatively spent $366.6 million (27.2%) less in the first six months of fiscal year 2010 than they did the first six months of the prior fiscal year for the three expense categories affected by the spending control strategies: agency contracts (510), maintenance (520), and equipment (530). This report and the previous quarterly reports demonstrate that agencies are achieving the objective to reduce spending.

I. Background

On April 22, 2009, Governor Ted Strickland issued Executive Order 2009-07S, *Implementing Additional Spending Control Strategies*, in response to declining state revenues. The Executive Order explains that despite 2008's aggressive cost reductions, the State must continue its commitment to prudent and responsible financial management.

The Order established several cost-savings and spending control strategies to be implemented by DAS and OBM and to be used by agencies, boards and commissions during Fiscal Years 2009, 2010 and 2011.

The Order also established a quarterly reporting requirement that requires the Directors of OBM and DAS to monitor the implementation of this Order and to provide quarterly reports to Governor Strickland regarding its effectiveness.

The 128th General Assembly, through Am. Sub. H.B. 1 (signed July 17, 2009), also demonstrated its expectations of state agencies by codifying many of the Executive Order's cost-saving strategies. The strategies are contained in Ohio Revised Code Chapters 125 and 126. The General Assembly also established a biannual reporting requirement consistent with the Executive Order's quarterly reporting requirements.

II. Prior Efforts (April 22,2009 - September 30, 2009)

A. Prior Spending Results

The issuance of Executive Order 2009-07S required immediate action and collaboration among DAS, OBM, state agencies, boards and commissions. Agencies worked quickly to meet the initial requirements of the Order which included controls for budgets, procurement, spending, travel and hiring. This nine-week exercise which occurred in the fourth quarter of Fiscal Year 2009 resulted in reduced spending of $17.6 million by the agencies. In addition, OBM reported that it recovered $29 million from agencies' lapsed GRF allotments and $120.5 million from the cancellation of agencies' prior year GRF encumbrances.

For Fiscal Years 2010 and 2011, the Executive Order and the corresponding sections of Ohio Revised Code Chapters 125 and 126 imposed continued controls and cost-saving strategies upon the agencies. In addition, Am. Sub. H.B. 1 significantly reduced agency GRF budgets compared to the prior year. OBM created a report to show the summary spending for the first quarter of Fiscal Year 2010. An assessment of the three expense categories affected by the executive order: agency contracts (510), maintenance (520), and equipment (530) categories, showed that state agencies spent notably less on these expenses at the beginning of this fiscal year versus last:

- Total spending dropped 17.8% from $578.5 million in the first quarter of Fiscal Year 2009 to $475.4 million for that same period in Fiscal Year 2010.
- Comparing the first quarter spending of this year versus last, agency contract expenses declined $34.7 million (17.6%), maintenance costs dropped $66.4 million (17.7%), and equipment costs went down $1.9 million (32.0%).

Based on the FY2010 first quarter spending data, DAS and OBM concluded that agencies were continuing to be vigilant to reduce spending, where possible.

B. Survey to Gauge Effectiveness of the Spending Control Strategies

The Executive Order and Ohio Revised Code requires the DAS and OBM directors to monitor the effectiveness of the spending control strategies and to report on their effectiveness and on the strategies' unintended consequences.

Following the first quarter (July-September 2009) of Fiscal Year 2010, DAS and OBM deployed a survey to the Chief Financial Officers of state agencies, boards and commissions. The purpose of the survey was to attain the agencies' perspectives regarding the effectiveness of each of the strategies and to ascertain whether or not the agencies were experiencing unintended adverse impacts as a result of the strategies. The survey results and agency perspectives are highlighted below.
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1. Survey of Strategies: Scoring Trends

Using voting criteria that ranged from very effective to very ineffective, the survey results showed that at least 15 of the 20 strategies were considered to be effective/very effective by 75% of the responding agencies, boards and commissions. The most frequent scoring trends were:

<u>Strategies most often viewed as being effective</u>

- Travel expense reductions (8.c.i)
- Mileage reimbursement rate (8.c.ii.)
- Alternatives for in-person meetings (8.c.iv.)

<u>Strategies most often viewed as being less than effective</u>

- Agency review of purchase requests $1,000 and above. (8.b.i.)
- Rebid rather than renew (8.b.iii.)
- Reduce contract encumbrances (8.b.iv.)
- *Note: Although 19 of the 20 strategies received higher numbers of effective votes over ineffective votes, several strategies did receive notable percentages of ineffective votes.*

<u>Strategies most often deemed "not applicable"</u>

- Reduce contract encumbrances (8.b.iv.)
- Employee parking expenses (8.f.)
- Rebid rather than renew (8.b.iii.)

<u>Strategies most often deemed "unable to answer"</u>

- OAKS online travel authorization (8.c.iii.)
- Information technology reductions: hardware, software, services (8.e.ii.a.)
- Information technology reductions: reduction of energy consumption (8.e.ii.e.)

The survey also solicited comments from agencies regarding each strategy. The results revealed that while an agency may have considered a strategy to be effective, the related comment sometimes conveyed concern with applying that strategy within their organization. As such, DAS and OBM reviewed some of the strategies to determine if amendments were warranted. DAS and OBM have included those assessments as well as anecdotal updates for the strategies in Section III.A.: Spending Control Strategies: Current Efforts and Results.

2. Survey of Strategies:
Percentages of Effectiveness and Recommended Actions

The table below lists the 20 spending control strategies along with an effectiveness index based on the survey results and recommended action for each strategy.

No.	Strategy	Effectiveness Index	Recommended Action
8ci	travel expense reductions	**94%**	4 Continue this strategy
8cii	mileage reimbursement rate	**93%**	4 Continue this strategy
8civ	alternatives for in-person meetings	**93%**	4 Continue this strategy
8eiid	IT reductions - printing & records	**89%**	4 Continue this strategy
8cv	use fleet vehicles	**86%**	2 Review tactics and/or execution
8dii	major printing & related services	**85%**	2 Review tactics and/or execution
8di	interoffice mail service	**84%**	4 Continue this strategy
8eiie	IT reductions - energy	**83%**	3 Allow time to observe and reassess
8eiic	IT reductions - delay projects, extend service life	**83%**	4 Continue this strategy
8eiia	IT reductions - common hardware, software, etc.	**81%**	3 Allow time to observe and reassess
8bv	purchasing standards & strategic sourcing	**79%**	3 Allow time to observe and reassess
8eiib	IT reductions - blackberries and mobile devices	**78%**	4 Continue this strategy
8bvi	in-sourcing	**76%**	4 Continue this strategy
8bvii	equipment & furniture purchases	**76%**	1 Review this strategy
8bii	contract renegotiation	**75%**	4 Continue this strategy
8f	parking expenses	**70%**	4 Continue this strategy
8ciii	OAKS on-line travel	**65%**	3 Allow time to observe and reassess
8bi	agency review of purchases $1,000 or more	**62%**	1 Review this strategy
8biii	rebid rather than renew	**56%**	4 Continue this strategy
8biv	reduce contract encumbrances	**37%**	2 Review tactics and/or execution
Effectiveness Index = effective + very effective responses, divided by the number of responses in which effectiveness was rated.			
It does not include "not applicable" or "unable to answer at this time" in the total.			

III. Fiscal Year 2010, Quarter 2 (Oct. 1, 2009 - Dec. 31, 2009)

A. Spending Control Strategies: Current Efforts and Results

DAS and OBM's analysis of the Oct. 2009 survey data concluded that all spending control strategies should be continued. However, to ensure the strategies can best support agencies' efforts to reduce spending, DAS and OBM identified five strategies that warranted a review: a review was recommended for two strategies and a review of the strategies' tactics or execution was recommended for three strategies. For four strategies, it was recommended that time be allowed to observe and reassess at a later time due to these strategies' reliance on new and/or evolving initiatives. The remaining 11 strategies were deemed effective and did not warrant special action. For ease of review, the strategies are listed according to the survey result's recommended actions.

In addition, DAS and OBM have included information pertaining to activities and/or results occurring with the strategies. This information is included with the relevant spending control strategies.

1. **Review this strategy.**
   This recommendation to "review this strategy" from the Oct. 2009 survey was assigned to the two strategies below. Although it was recommended that these strategies be continued, the survey also revealed that additional review of these strategies was warranted to ensure that the strategies are operationally viable as well as cost-effective.

   a. Agency review of purchase requests $1,000 and above
      Executive Order 2009-07S: 8.b.i.
      Ohio Revised Code 126.501(A)

      All Executive Agency purchase orders for supplies or services that cost $1,000 or more must be personally reviewed and approved by the Executive Agency Director or the Director's designee.

      Summary: Comments from the agencies varied with some indicating that director-level reviews have been effective due to the additional level of scrutiny while others expressed that the added review is burdensome and produced little change. The mixed comments resulted in a review of this strategy by DAS and OBM.

      DAS/OBM Review: DAS and OBM acknowledge that some agencies express frustration with the duplication of monitoring purchases when budgets have already been approved. We continue to assemble additional information on this strategy as part of a larger evaluation of purchasing review criteria across multiple procurement methods. The goal is to make review criteria as consistent as possible across different purchasing methods. If DAS and OBM determine that some adjustment to this cost reduction strategy is desirable, such a change will require legislative action since the General Assembly enacted this purchasing threshold in statute in Am. Sub. H.B. 1.

b. Equipment and furniture purchases
Executive Order 2009-07S: 8.b.vii.
Ohio Revised Code 126.501(G), 126.505(B)

Continue to make equipment and furniture purchases in strict compliance with the OBM Control on Equipment Directive, dated Jan. 31, 2008, which was revised to include all furniture purchases.

Summary: This survey question sought agencies' perspectives on the OBM controls on purchase requests for equipment and furniture. Although this question received a positive vote of 64% for its effectiveness, agencies were quick to point out that the review process is cumbersome and that equipment and furniture purchases are already governed by budget cuts. It was also observed that during fiscal emergencies, furniture and equipment are the first expenditures that agencies cut. Agencies also commented that while this strategy has been effective in reducing furniture and equipment costs, the administrative review process is slow and adds indirect costs due to additional staffing time to prepare and manage the justifications.

DAS/OBM Review: OBM acknowledges that the controls increase the number of steps in the purchasing processes for equipment and furniture but also recognizes this as a tool to help actively manage agency spending due to budget constraints.

2. Review tactics and/or execution.

This recommendation to "review tactics and/or execution" from the Oct. 2009 survey was assigned to the three strategies below. It was recommended that these strategies be continued and that DAS or OBM should review the supporting tactics associated with the execution of the strategies.

a. Reduce contract encumbrances
Executive Order 2009-07S: 8.b.iv.
Ohio Revised Code 126.501(D)

All encumbrances by Executive Agencies for contracts supported by non-capital funds entered into prior to July 1, 2009, shall be cancelled on or before July 31, 2009, unless doing so is deemed fiscally imprudent by the OBM Director.

Summary: This question sought agencies' feedback regarding the year-end cancellation of encumbrances. As noted in the July 30, 2009, report which summarized FY09 efforts, this exercise yielded $120.5 million through the cancellation of old encumbrances that were no longer needed from previous fiscal years (2008 and prior).

Comments suggested that agencies found this strategy ineffective due to the tight timeframe in which encumbrances were cancelled. Agencies conveyed that this strategy had little impact on ultimate spending and expressed concerns with this exercise due to potential contractual problems and poor commitment accounting. It was suggested that if this exercise is repeated for FY10, then purchase orders should be assessed on a case-by-case basis rather than by date.

DAS/OBM Review: Due to cash management requirements necessary to help keep the GRF balanced in this biennium, OBM must again review and cancel unneeded encumbrances as soon as possible after the end of FY 2010. OBM will again do this on a case-by-case basis though, in recognition of contract delivery and timing constraints not under agencies' control. Agencies should assume July 31, 2010, cancellation will be the standard. However, agencies should be ready to discuss exceptions with their OBM analysts.

b. Use fleet vehicles
Executive Order 2009-07S: 8.c.v.
Ohio Revised Code 126.503(D)

Use fleet vehicles for official travel when a fleet vehicle is readily available. No Executive Agency employee is authorized to engage in reimbursable travel when a fleet vehicle is readily available for that travel.

Summary: Even with an emphasis on using state vehicles rather than mileage reimbursement when cost effective, the size of the state fleet has actually decreased slightly over the last two years, from 11,854 vehicles at the end of FY07 to 11,821 at the end of FY09. Over the past six years, the fleet has decreased by 5.9% from 12,563 vehicles in 2003.

In addition to encouraging the use of fleet vehicles and associated programs, DAS continues to identify strategies to control costs associated with the state's fleet. For example, DAS changed the default passenger fleet vehicle from the mid-size to the compact sedan beginning in 2008. Since then, the state has purchased 297 compact sedans, saving $713,240 in acquisition costs compared to the mid-size sedan. These vehicles have traveled more than 6.5 million miles through the end of FY09. Over that time period, higher fuel efficiency and lower maintenance costs for these 297 vehicles have yielded operating savings of $197,700 over the cost of mid-size vehicles. Thus, the fuel and maintenance savings combined with the acquisition savings for these 297 compact sedans brings the estimated total savings to $910,940 for changing from mid-size to compact sedans.

DAS/OBM Review: One suggested tactic for review was to create a central "fleet vehicle denial form," which would demonstrate that a fleet vehicle was not available, prior to using a personal vehicle for mileage reimbursement. After OBM/DAS review, it was determined that the proof of fleet vehicle availability should be handled at the agency level rather than through OAKS travel and expense. This is because travel reimbursement approvals are part of an agency's decision-making process rather than part of Shared Services' transaction processing.

c. <u>Major printing and related services</u>
Executive Order 2009-07S: 8.d.ii.
Ohio Revised Code126.504(B)

By October 1, 2009, all Executive Agencies shall direct all of their major printing and related services through DAS, including production-level copying, mainframe printing, and mail preparation activities and eliminate their internal operations providing these services.

<u>Summary</u>: Several agencies have indicated that they utilize DAS for their major production-level copying, mainframe printing and mail preparation activities. In FY09, there were seven agencies with production-level printing facilities. Five of those agencies have been centralized into DAS printing operations, and the remaining two are in varying stages of conversion. DAS continues to work with agencies to transition printing and mail services to a center-led structure.

In a May 28, 2009, report issued in response to section 8.d.ii of the Executive Order, DAS estimated the printing and mail preparation savings at $5.3 million for the FY10-11 biennium. Because of the centralization, DAS has reduced its rates. For example, FY10 rates have been reduced by 7.7% for color copying and by 12.5% for mainframe printing.

Regarding mail preparation, since the issuance of the executive order, 21 new agencies have joined the centralized mail metering program, a 39.6% increase from 53 agencies using the service previously. Agencies that have transitioned their mail processing to DAS have reported savings of $73,894 in equipment and supply costs. Additional savings from staff reassignment has not been calculated.

The DAS State Mail Service is now processing an estimated 1,220,000 additional pieces of mail annually without an increase in staffing, equipment or other costs. .

<u>DAS/OBM Review</u>: Since this recommendation was in mid-implementation at the time of the survey, it was recommended that the execution be reviewed at a later date. DAS reports that progress has been made within the last quarter, and that the remaining known transition issues are manageable. A fiscal review indicates that the consolidated printing/mail program is managing expenses within the new lower rates, and could be in a position to reduce rates further in FY11.

3. **Allow time to observe and reassess.**

This recommendation to "allow time to observe and reassess" from the Oct. 2009 survey was assigned to the four strategies below which represent new initiatives that were early in implementation or still under development at the time of the survey. Benefits and/or advances that have been realized are highlighted below.

a. Purchasing standardization and strategic sourcing spending controls
Executive Order 2009-07S: 8.b.v.
Ohio Revised Code 126.505(A)

In order to maximize potential expenditure savings, it may be necessary for Executive Agencies to cooperate in pooled purchasing and strategic sourcing efforts which combine the supplies or service needs of multiple agencies.

Status: The results of strategic sourcing are beginning to show and will become more apparent over the biennium. Early successes include new contracts for food, pharmacy benefits management, personal computers, and mainframe software. Among the purchases strategically sourced since the executive order were personal computers, food supplies, software, medical supplies, and property management services. Estimated savings from new strategic sourcing contracts is $39.2 million over the next three years. For example, within the $39.2 million, a large amount of savings will come from food procurements for our state institutions such as those in the Departments of Rehabilitation and Correction, Youth Services, Mental Health and Developmental Disabilities. Strategically-sourced food procurements saved an estimated $2.5 million in Fiscal Year 2009 and vendor savings will lead to an estimated $10 million savings through Fiscal Years 2010 and 2011.

From the perspective of IT procurement, DAS has also participated throughout FY2009 in a multi-state collaboration of technology and purchasing professionals to establish market price benchmarks for commonly configured personal computers (PCs) used in state and local government. Using these market price benchmarks for desktop and notebook computers, DAS renegotiated all contract prices for standard client computer hardware.

The impact of using an informed market price for PCs was a seven percent reduction in the average price paid by state agencies for standard desktop and notebook computers plus essential accessories in FY2009.

b. OAKS on-line travel
Executive Order 2009-07S: 8.c.iii.
Ohio Revised Code 126.503(B)

All Executive Agencies shall, when it becomes available, use the online travel and expense reimbursement process which will require employees to enter the necessary information directly into OAKS.

Status: OBM Shared Services, which manages the online travel authorization and reimbursement process, has been operational for one quarter. The survey conducted in Oct. 2009 took place just as this operation began so there could be no true review of it at that time. OBM can follow up with more information, as warranted, in future quarterly reports.

At this juncture, the following metrics can be reported from second quarter operations. Shared Services received 6,107 travel reimbursement submissions for pre-audit approval, and approved 4,770 such requests (78.1%). The remainder required follow-up of some sort, usually because of missing receipts or other documentation. Approximately 40% of reimbursement requests received require follow-up. The average age of this group ranged from 1.9 days to closure in October to 6.3 days in December. But overall, the average time to complete pre-audit review across all reimbursement requests requiring it was 2 days or fewer. In addition to requests requiring pre-audit, Shared Services processed 13,323 reimbursements that are below dollar thresholds requiring pre-audit approval.

The travel component of Shared Services operations is just a small portion of its duties. Accounts Payable is the larger component and the one in which agencies can achieve the most savings compared to their prior stand-alone operations.

c. IT reductions: common hardware, software, servers and security
Executive Order 2009-07S: 8.e.ii.a.
Ohio Revised Code125.19(B)(2)

Reduce the cost of IT for state government through the adoption of common hardware, software, services and security.

Status: The DAS Office of Information Technology (OIT) has launched the Enterprise Technical Architecture Subcommittee (ETA SC) to address the requirements of the Executive Order 2009-07S and ORC 125.18(B)(2), to establish policies, standards and services to reduce IT costs and to assist in the adoption of common hardware, software, and services. The ETA SC's primary objective is to analyze, recommend, establish and maintain an Enterprise Technical Architecture (ETA) for the state of Ohio and to identify, prioritize and approve specific efforts consistent with this vision. The ETA SC consists of 33 participating agencies, 16 core committee members and 58 community-of-interest members. (Community-of-interest members are agency employees that benefit from or utilize these tools and services.) Over time, the work of the ETA SC will enable the state to accrue economies-of-scale through aggressive strategic sourcing initiatives for hardware, software and services.

Three working groups have been established under the ETA SC to assist in accomplishing its goals:

- Server and Storage Virtualization and Consolidation Workgroup which is charged with developing enterprise technical architecture and best practice recommendations for servers and storage virtualization and consolidation. This working group consists of 16 core committee members and 29 community-of-interest members, who together represent 23 agencies.

- Endpoint Computing Workgroup which is charged with developing enterprise technical architecture and best practice recommendations for an endpoint computing model that will authenticate a user, the user's computing device and the health of that device prior to authorizing access to the state's networks. This working group consists of 14 core committee members and 24 community-of-interest members, who together represent 27 agencies.

- LAN/WAN Workgroup which is charged with developing enterprise technical architecture and best practice recommendations for the state's Local Area Networks (LAN) and Wide Area Networks (WAN) infrastructure. The LAN/WAN Workgroup will develop a Lifecycle Cost Analysis for the state's LAN/WAN environment with a particular focus on cost-savings opportunities in the support and maintenance area. This working group consists of 15 core members and 18 community-of-interest members, who together represent 20 agencies.

d. IT reductions: energy consumption (8.e.ii.e.)
Executive Order 2009-07S: 8.e.ii.e.
Ohio Revised Code 125.18(B)(9)

Reduce the cost of IT for state government through the reduction of energy consumption.

Status: This strategy should be continued and progress should be reported as advances are realized. DAS has launched a server consolidation initiative that when fully implemented is projected to save the state 40-50% in administration costs across the statewide fleet of servers by reducing power, maintenance, and hardware costs. Additional strategies are in development that may also reduce energy consumption. For example, the DAS OIT Server Virtualization Project assumes that if 283 state servers are virtualized, the state could save up to 81% or more than $255,360 over five years in server power and cooling consumption.

In addition, as members of the ETA Server/Storage Virtualization & Consolidation Workgroup run the VMware (virtualization software) Capacity Planner assessment, DAS will have more insight into potential statewide energy savings. This is also an area that has been identified for future Ohio IT policy development.

4. **Continue this strategy**.

The recommendation to "continue this strategy" from the Oct. 2009 survey pertains to eleven strategies that did not warrant additional action at this time. DAS and OBM recommended that these strategies be continued, as is. Tactics for these strategies are developed although DAS and OBM will continue to address specific concerns raised by agencies.

a. Contract renegotiation
Executive Order 2009-07S: 8.b.ii.
Ohio Revised Code 126.501(B)

Where legally permissible, renegotiate a 15% or greater reduction in a contract's financial terms while maintaining substantial equivalency of other terms contracts (i.e., reduce hourly rates, reduce scope, eliminate or defer deliverables).

Status: Agencies are continuing their efforts to identify contracts eligible for reductions and work with vendors to attain savings. DAS continues its work with vendors to reduce enterprise contracts.

b. Rebid rather than renew
Executive Order 2009-07S: 8.b.iii.
Ohio Revised Code126.501(C)

Rebid contracts that may be renewed, unless the agency Director determines that the costs would likely increase under a newly rebid contract.

Status: The results of the survey conducted in October revealed that agencies have historically utilized this strategy and continued to do so to reduce costs. Agencies indicated that they rebid when it proves cost effective, but also indicated that renewal of contracts can likewise prove cost effective based on current market evaluations.

From an enterprise perspective, DAS continues to identify rebid opportunities on enterprise contracts, in concert with the strategic sourcing initiative under 8.b.v. In Fiscal Year 2009 DAS rebid and awarded 21 contracts that were eligible for renewal. DAS will continue to identify such opportunities and will take appropriate action when possible and prudent. DAS evaluates every enterprise contract over $250,000 in value at least six months prior to its expiration date to make a renew/rebid decision.

c. In-sourcing preferred
Executive Order 2009-07S: 8.b.vi.
Ohio Revised Code 126.501(E),(F)

Prior to entering into a contract for outsourced services, thoroughly investigate whether the required services can be provided by state employees in the most cost-effective manner.

Status: DAS and OBM unreservedly support agencies' replacement of ongoing, higher-cost contract workers with permanent state employees. The hiring controls do not inhibit steps in this direction. In fact, such proposals are among the positions OBM most readily approves. OBM will specifically note this opportunity as a potential for cost savings in its FY12-13 operating budget guidance coming out in the next few months.

d. <u>Travel expense reductions</u>
Executive Order 2009-07S: 8.c.i.
Ohio Revised Code 126.503(A)

Continue to comply with OBM's travel directive dated January 31, 2008, which required Executive Agencies to control nonessential travel expenses.

<u>Status</u>: This strategy affirmed that agencies were expected to continue to comply with OBM's directive on travel. Agencies traveled 3,089,582 fewer miles overall in FY09 compared to FY08. This figure represents a 6,251,733 mile decrease in non-state vehicle use, partially offset by a 3,162,151 mile increase in state vehicle mileage. The shift from mileage reimbursement to lower-cost state vehicles provided a net cost benefit to the state.

The state used 4% less vehicle fuel in FY09, even with more state vehicle miles driven. This can be attributed in part to better fuel efficiency with the state's shift to smaller vehicles (See III.2.b., on p.9). With less fuel used and an 11% drop in average fuel costs, the state spent $5,269,592 less in fuel costs, a drop of 15%, in FY09 compared to FY08.

Regarding mileage reimbursement, there was a 23% drop in the number of individuals reimbursed and a 25% drop in the number of miles reimbursed. Because part of FY09 included a higher mileage reimbursement rate than in FY08, the actual cost savings was about 8%, or $804,691 (see below). The mileage reimbursement rate has since been lowered under the Executive Order (see next section of this report).

Total Reimbursement Payments/Miles Driven	**FY08**	**FY09**	**FY09 vs. FY08**	**% Change**
Miles driven – state vehicles	155,122,576	158,284,727	3,162,151	2%
Miles driven – mileage reimbursement	24,844,174	18,592,441	-6,251,733	- 25%
Miles driven - total	179,966,750	176,877,168	-3,089,582	- 2%
Fuel – gallons used	12,790,025	12,321,853	-468,172	- 4%
Fuel - cost	$36,216,249	$30,946,657	-$5,269,592	- 15%
# of Employees Reimbursed	10,774	8,276	-2,498	- 23%
Mileage Reimbursements Amount Paid	$9,931,669	$9,126,978	-$804,691	- 8%

e. Mileage reimbursement rate
Executive Order 2009-07S: 8.c.ii.
Ohio Revised Code 126.503(E)

The mileage reimbursement rate is reduced to 45 cents per mile, effective May 1, 2009, for all exempt personnel and effective October 1, 2009, for all bargaining unit employees.

Status: Agencies have garnered significant savings because of this strategy especially when combined with the strategies to reduce travel and use fleet vehicles. Agencies have been driving fewer miles overall, which has translated into savings in mileage reimbursement. See section above. All collective bargaining agreements have been standardized with the rate so that mileage reimbursements for both exempt and bargaining unit employees are now at 45 cents per mile.

f. Alternatives for in-person meetings
Executive Order 2009-07S: 8.c.iv.
Ohio Revised Code 126.503(C)

Conduct necessary meetings concerning the business of the state, whenever possible, using conference calls, teleconferences, webinars or other technology tools to preclude the need for state employees to travel by automobile to participate in a meeting.

Status: Agencies have indicated that they are utilizing alternative methods, when possible, to reduce vehicular travel and related expenses. Several agencies are routinely using teleconferences, web meetings and video conferences which they deem effective. Other agencies indicate that they have begun using or have expanded the use of these technologies which has been viewed positively by both customers and employees.

For example, the DAS OAKS Capital Improvement Office has been using webinar technology to train its customers. The office's learners include contractors, architects, and agency/university personnel from across the state. Between Sept. 21, 2009 and Jan. 22, 2010, this office has conducted more than 24 hours of web-based training delivering a total of 28 sessions. The agencies and universities avoid travel costs as does the contractor community. Currently, more than 50% of DAS OAKS CI office's training is conducted over the web and this percentage will increase as it continues to roll out the application.

It should be noted that the Open Meetings Act requires that public meetings be conducted in person. Teleconferencing would significantly reduce travel costs for many in-person public meetings but is not currently possible per statute.

g. Interoffice mail service
Executive Order 2009-07S: 8.d.i.
Ohio Revised Code 126.504(A)

Use the free DAS interoffice mail service for all mail deliveries to other Executive Agencies in central Ohio.

Status*:* Interoffice mail delivery is widely utilized by state agencies and is available at no cost to state agencies located in the downtown Columbus area. Agencies located in other areas of Columbus and in other parts of the state have developed mechanisms to receive their interoffice mail which include periodic retrieval by assigned employees or through other existing state transport methods. In recent years, DAS has observed an incremental decline in the volume of interoffice mail due to the increasing capability of scanning and attaching documents to emails.

h. IT reductions: reduce mobile devices
Executive Order 2009-07S: 8.e.ii.b.
Ohio Revised Code 125.18(B)(7)

Reduce the use of Blackberries and other mobile and handheld computing and telecommunications devices which cannot be appropriately justified.

Status: Agencies have indicated that reductions in mobile devices has occurred due to prior analysis of the use of assigned Blackberries and phones while others conducted reviews after the issuance of the Executive Order.

Agencies have also suggested that a statewide plan(s) be explored to consider the pooling of minutes and standardization of devices to negotiate pricing based on that standardization and quantity. This issue is among those being studied by the Enterprise Technical Architecture (ETA) Subcommittee (see Section III, A.3.c. on p.12) which has assigned mobile devices to its ETA Endpoint Workgroup.

Agencies should reference IT Policy H.2: *Use of State Telephones* for requirements for the use of wired and wireless state telephone service and IT Policy B.9: *Portable Computing Security* for additional guidance for portable computing devices. These policies are being revised to guide agencies in the provision of blackberries and other mobile and handheld computing and telecommunications devices.

i. <u>IT reductions: extend service life of IT systems</u>
Executive Order 2009-07S: 8.e.ii.c.
Ohio Revised Code 125.18(B)(2)

Delay acquisition of new IT systems or projects and extend the service life of IT systems where practicable.

<u>Status</u>: While use of this strategy can reduce spending in the short term, it should be also noted that delaying the scheduled replacement of aging hardware and software could result in higher maintenance costs, unscheduled repairs and potential service outages to customers. Agencies should consider the impact of this strategy in the process of making a business decision to delay scheduled maintenance or replacement of equipment. This is not a "required" strategy but suggested for implementation where practicable.

DAS implemented a move in practice for the state from a three-year replacement cycle on laptops to four years, and desktops from four-year replacement to five years unless it is critical and urgent to the state agency and the agency's programs to carry out its mission.

The implementation of the expanded criteria for laptops and desktops resulted in direct denials and returns of petitioned replacement requests during the early stages of controls implementation. However and more importantly, the entire State IT organization has adopted the revised standards and agencies have begun a permanent implementation process which results in rescheduling costs (delaying and deferring). These process changes have resulted in reductions in overall outlays for laptops by 8% and desktops by 5% annually.

j. <u>IT reductions: printing and electronic records</u>
Executive Order 2009-07S: 8.e.ii.d.
Ohio Revised Code 125.18(B)(8)

Reduce computer printing and increase use of electronic records.

<u>Status</u>: Agencies view the reduction of computer printing and increased use of electronic records as an effective strategy although the capability to produce an electronic library of records is contingent, in large part, on an agency's ability to purchase the required technology needed to accurate scan, store, search and retrieve electronic records.

With regard to a reduction in printing, agencies that are participating in DAS' Cost-Per-Copy program have realized reductions in printing costs as it raises employee awareness of the cost of making copies.

Agencies should reference IT Standard - PLF-03 *Printer Total Cost of Ownership*. This state IT standard establishes that the approximate total cost of ownership (TCO) be determined among new printers considered for procurement and that the lowest TCO be a primary deciding factor in purchase selection.

k. <u>Parking expenses</u>
Executive Order 2009-07S: 8.f.
Ohio Revised Code 126.501(H)

Reduce parking expenses, including parking expenses for purchased and lease-included spaces for individual employees, space for fleet vehicles, spaces for agency employees on agency business and parking reimbursement for those attending meetings. This analysis shall also include a review of any loss in efficiencies or other agency benefits resulting from such cost saving opportunities.

<u>Status</u>: The October 2009 survey revealed that agencies have assessed parking-related expenses and have made adjustments, where possible. Agencies also indicated that the increased and continued use of teleconferencing and webinars for conferences and training sessions can provide savings in travel expenses and parking reimbursements.

IV. CONCLUSION

The summary data for the first and second quarters of Fiscal Year 2010 show a combined reduction of 27.2% in expense spending in comparison to the same time period of Fiscal Year 2009. In particular, agency spending was down the most in the contracts category -- $247.6 million (40.6%). Maintenance costs were down $114.1 million (15.9%), and equipment purchases dropped $4.9 million (25.9%) year-over-year for the first six months of the fiscal period.

The next report is due following the close of Fiscal Year 2010 and will include information for Fiscal Year 2010 (July 1, 2009 through June 30, 2010). The comparable period of time from Fiscal Year 2009 will also be analyzed to provide the variance in spending between the two fiscal time periods. Also highlighted in the next report will be strategies that continue to garner savings as well as updates on the strategies that DAS and OBM continue to develop to support agencies in better utilizing the strategies.