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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)*

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Executive Summary

A Report in Response to Ohio Revised Code 126.507 and Executive Order 2009-07S dated August 24, 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.) provide spending control strategies which are to be implemented by DAS and OBM and are to be utilized by state agencies, boards and commissions to reduce spending. In response to the reporting requirements, DAS and OBM have prepared four reports dated July 30, 2009, October 30, 2009, February 11, 2010, and June 3, 2010. All reports are available at http://das.ohio.gov/SpendingControlStrategies/.

The intent of this report is to provide a snapshot of state agencies' expense spending in three expense categories as well as to provide updates relative to the spending control strategies. Section I of the report provides information and updates relative to each spending control strategy and Section II focuses on the actual spending data for Fiscal Year 2010 (FY10) and includes summaries from select agencies to clarify their spending variances. The second section also includes spending data from the three expense categories that are primarily affected by the executive order: agency contracts (510), maintenance (520), and equipment (530). We have also included the same data for Fiscal Year 2009 (FY09) to show the comparison in spending by agencies between the two fiscal years. The spending data demonstrates overall reductions in state agency expense spending.

Within these three expense categories, after setting aside known accounting changes and non-discretionary spending, agencies cumulatively spent $241.1 million, or 11.3%, less in FY10 than they did in FY09. General Revenue Fund spending in these account categories totaled $51.9 million, or 7.5%, less compared to FY09. Putting these three expense categories into the context of the entire state budget, OBM's Monthly Financial Report for July shows that total FY10 GRF spending was down $2.6 billion, or 9.9%, compared to last year.

Although feedback from agencies confirm that the spending control strategies are proving effective in reducing expenses, these three expense categories do contain transactions unrelated to spending controls and those variances are referenced in the agencies' summaries. However, the spending data for these three expense categories continues to serve its original purpose of demonstrating overall spending reductions across the state agencies.

OBM and DAS have strengthened the review procedures for the year-over-year spending data that accompany these executive order reports. First, OBM completes the standard variance review to assist in explaining the numbers. Specifically, OBM budget analysts contact agencies with the largest dollar variances to determine timing, accounting, program, or other changes that explain sizeable differences from one year to the next. Second, in addition to discussing year-over-year agency spending on contracts, maintenance, and equipment only, the executive order report now references the OBM Monthly Financial Report, too. This monthly report focuses on total GRF expenditures instead of just the subset of spending affected by the executive order. As a result, it provides a more complete picture of what is happening with state spending.

As evidenced by this report, DAS and OBM can affirm that these spending control strategies continue to prove useful in helping agencies to reduce their expenses in order to operate within their annual appropriations.

I. Spending Control Strategies: Current Efforts and Results

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. DAS and OBM are expected to implement the strategies. Agencies are expected to utilize them to support their efforts to reduce spending.

The strategies have been organized into the following four categories: contracts and procurement, travel and fleet expenses, printing and mail expenses and information technology expenses. Summaries of the strategies, along with updates pertaining to each strategy are provided below.

A. Contracts and Procurement

1. <u>Agency review of purchase requests $1,000 and above</u>
   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.

   <u>Status:</u> Ongoing. Agencies continue to use this strategy to scrutinize purchase requests to limit unnecessary spending.

2. <u>Contract renegotiation</u>
   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 contract terms (i.e., reduce hourly rates, reduce scope, eliminate or defer deliverables).

   <u>Status:</u> Ongoing. This strategy was utilized in FY09 and agencies reported success in reducing the cost of some of their contracts. Since then, the 15% reduction in pricing has become a normal business expectation of vendors doing business with the state. Vendors are approaching the state with pricing already adjusted to reflect 15% reductions and DAS continues to work with vendors to amend pricing, where possible. These amended contract prices have resulted and will continue to result in reduced spending.

3. <u>Rebid rather than renew</u>
   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.

   <u>Status</u>: Ongoing. Rebidding rather than renewing is a strategy that agencies historically utilized prior to the Executive Order and one that they continue to utilize. Agencies assess the current markets and rebid contracts when it proves cost effective. In its enterprise capacity, DAS also continues to achieve best pricing where viable. 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.

4. 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.

Status: In June, OBM did its annual end-of-year review of existing GRF encumbrances to determine which could be cancelled in order to help balance the GRF for year-end closing. The total amount of GRF encumbrances cancelled was approximately $16 million.

5. 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: Ongoing. Purchasing standardization and strategic sourcing are enterprise initiatives led by DAS. Through year-end FY10, DAS put into place $52.6 million in savings for the state. Savings have accrued using a number of strategic methods which include standardization, reverse auctions, supplier reductions, enterprise agreements, consortium purchases and negotiations. The supplies and services contracts that have been improved by strategic sourcing include personal computers, temporary labor, food and food operations, property management services, software, paper, cleaning supplies, general hardware and vehicle rentals. The DAS Office of Procurement Services has also made modifications to its operations to enhance our strategic sourcing efforts.

DAS will continue to identify commodity-based purchasing opportunities. Future target areas include pharmaceuticals, information technology staff augmentation and other information technology services.

6. 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: Ongoing. Replacement of ongoing, higher-cost contract workers with permanent state employees is highly supported by OBM and DAS.

7. 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 January 31, 2008, which was revised to include all furniture purchases.

Status: Ongoing. FY 12/13 Operating Budget Guidance indicated that agencies should anticipate a continuation of current equipment and software spending controls consistent with Executive Order 2009-07S. Agencies' requisitions to purchase equipment and furniture must still be approved by OBM and DAS. This restriction applies to furniture and equipment costing $300 or more, such as desks, bookcases, computers, printers, etc. This includes all items listed under expense category 530.

Our review of expense category 530 for equipment showed that 42 agencies reduced equipment spending from FY09 to FY10 for a total reduction of $13.5 million, and 34 agencies spent more on equipment from FY09 to FY10 for a total increase of $25.3 million. Twenty seven agencies had no equipment purchases in either FY09 or FY10. Looking at funding sources, GRF equipment purchases were down 47.2% from $9.4 million in FY09 to $5.0 million in FY10, while non-GRF equipment purchases (which represent the vast majority) were up 33.4% from $48.7 million in FY09 to $65.0 million in FY10.

In total, equipment purchases increased by $11.8 million (20.4%) in FY10 compared to FY09. Through the third quarter of FY10, they had been down by $5.3 million (12.8%) compared to the same period in FY09. By investigating to determine the reasons fourth-quarter experience resulted in full-year expenses growing, we found that DOT and BWC in particular spent significant amounts on equipment in the fourth quarter. This resulted in large dollar increases for their year-over-year spending for this category.

- ***DOT***
  DOT operates on a 12- to 13-year cycle for turning over its fleet of dump trucks. In typical years, the agency purchases 90 to 120 trucks to maintain this standard. However, in FY08 and FY09, DOT purchased fewer than 50 dump trucks each year due to the equipment freeze. As maintenance costs and downtime increased, the agency finally started increasing its purchases of dump trucks to almost 70 trucks in FY10—still below the required number for maintaining its cycle but a sizeable increase nonetheless. This was the principal reason for DOT's $6.3 million increase in equipment spending from FY09 to FY10.

- ***BWC***
  The majority of the increase in BWC's equipment purchases from FY09 to FY10 was due to the purchase of vehicles and various IT equipment.

  Regarding the BWC vehicle purchase, the agency had not made a significant vehicle purchase since FY07. The FY10 purchase included approximately 100 vehicles for a total of $1.6 million. The new vehicles replaced vehicles that exceeded 125,000 miles, had been salvaged, or the projected annual maintenance was 50% or more than the estimated current value. The average age of the vehicles replaced was nine years (DAS guideline is six years) and the average mileage was 116,538 (DAS guideline is 90,000 miles). Given their age and mileage, from FY08 through the first half of FY10, BWC spent $410,768 on maintenance for the vehicles being replaced (approximately one-quarter of the purchase price).

  In addition, the purchase of the vehicles enables BWC to minimize mileage reimbursement expenditures by shifting employees from private vehicles to fleet vehicles. The identified break-even point (the number of business miles an employee of a state agency must drive in order to qualify for approval by the department to receive a motor vehicle for business use) is approximately 7,395 miles annually, and the BWC vehicles are driven an average of 13,000 miles annually, making a vehicle purchase a more cost-effective option.

  Delays in FY09 and FY10 IT infrastructure projects were the main reason that BWC increased IT equipment purchases at the end of FY10, which totaled $4.5 million. Fourth quarter equipment purchases included the replacement of servers, scanners, laptops, and video conference equipment as described individually below:

- Servers that supported critical agency applications and were at the end of their five-year useful life were replaced. Servers were also purchased to support BWC's efforts to increase e-commerce services to BWC customers.
- BWC makes use of electronic files to reduce storage costs in various areas of the agency, including claims processing. The scanning equipment used to scan claims materials reached the end of its useful life and had begun failing. Replacement of the scanners was needed to provide the resources to continue maintaining electronic files, resulting in continued storage cost savings and making information readily available for claims management decisions.
- Laptops are over five years old and have reached the end of their useful life. Users have begun to experience increased degradation in performance. BWC was able to make use of DAS's recently instituted reverse auction process which resulted in cost savings.
- BWC has been able to use video conference equipment for several years to reduce travel costs and provide better communication between offices located throughout the state. The equipment has been failing for the past few years and some of the equipment is no longer manufactured. The replacement restores the video conference services to the previous standard and allows for increased use, leading to decreased travel.

- ***DAS***

  In addition to DOT and BWC, DAS had been on track before the fourth quarter to spend more than in FY09 due mainly to a federal interoperable communications grant for MARCS (the statewide public safety communication system). The agency also replaced the original uninterrupted power supply units, which had useful lives of five to seven years, at all the MARCS tower sites. DAS also made several other enterprise IT equipment purchases through the year for consolidated services provided to state agencies, such as statewide network upgrades, mainframe computer upgrades, email service, virtual servers, and disaster recovery. The agency's total year-over-year increase in equipment spending was $7.2 million.

  The executive order does target both GRF and non-GRF spending. However, the principal target for the spending reduction strategies outlined by the order is GRF line items, which received significantly less in appropriations in the current biennium. Reducing GRF equipment purchases by almost half in FY10 reflects the fewer GRF resources provided to agencies. Line items supported by non-GRF funds have not generally been similarly cut, and the increase in year-over-year equipment spending for those funds does reflect the continued availability of those resources. However, across all three spending categories affected by the order—contracts, maintenance, and equipment—non-GRF spending (after adjustments for non-operating expenses) did decline by $189.2 million (13.1%) in total from FY09 to FY10, as sought by the order.

B. Travel and Fleet Expenses

1. Travel expense reductions

   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.

   Status: Ongoing. Regarding mileage reimbursement, for the fourth quarter of FY10, the amounts paid to employees for the use of their personal cars on state business totaled $1,217,813, according to the new OAKS travel and expense module implemented by

Shared Services. The total amounts paid to employees for FY10 was $6,468,847, compared to $8,918,942 for FY09, a decrease of $2,450,045 (27.5%) or the equivalent of 5,444,600 miles.

2. 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 Ongoing. Agencies continue to garner significant savings because of this strategy especially when combined with the strategies to reduce travel and use fleet vehicles. 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.

In recent months, DAS is seeing evidence that agencies are moving toward using more fleet vehicles to reduce the expense of mileage reimbursements for employees who use their personal vehicles for state business travel. In FY10, agencies purchased 407 compact sedans, where 202 replaced existing mid-size sedans with a projected savings of $725,180 in acquisition and operating costs. The remaining 205 compact sedans being placed into service in the third and fourth quarters of FY10 are additions to the fleet to reduce personal mileage reimbursements. The value proposition for agencies to use fleet vehicles is that DAS can, on behalf of the agencies:

- purchase economical cars at more competitive prices;
- insure the vehicles at a lower cost due to our self-insured structure;
- pay less for fuel because of the federal gasoline tax exemption.

Collectively, the state's cost to purchase and maintain a vehicle is far less than reimbursing employees to use their personal vehicles at a rate of 45 cents per mile.

3. 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: Ongoing. Shared Services, which manages the online travel authorization and reimbursement process, has been operational for three quarters. All agency travel reimbursements are required to move to Shared Services processing. This was achieved by July 1 as planned. Currently, all executive branch agencies, including most recently the Department of Transportation (DOT), have migrated.

Shared Services received 6,667 travel reimbursement submissions for pre-audit approval during the fourth quarter. The average time to complete this review was 3.1 days or fewer. In addition to requests requiring pre-audit approval, Shared Services processed 13,042 reimbursements that are below dollar thresholds requiring pre-audit approval.

4. 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: Ongoing. When DAS and OBM surveyed agencies last fall, agencies indicated their support of this strategy to use alternative means of participating in meetings to reduce expenses incurred through vehicular travel. Tools routinely used include teleconferences, web meetings and video conferences. This may be a factor in the declining travel reimbursements experienced.

5. 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.

   Status: Ongoing. The state continues its transition toward using state vehicles rather than mileage reimbursement when cost effective. During the fourth quarter of FY10, the size of the state fleet increased by 252 units bringing the size of the fleet up to 12,073 units as compared to 11,821 at the end of FY10 third quarter. The increase in the fleet inventory levels were anticipated as a result of more agencies transitioning to the use of state vehicles. Over the past six years, the fleet has decreased by 3.9% 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. In FY10, the state purchased 407 compact sedans, where 202 replaced existing mid-size sedans with a projected savings of $725,180 in acquisition and operating costs. The remaining 205 compact sedans being placed into service in the third and fourth quarters of FY10 are additions to the fleet to offset excessive employee mileage reimbursements with lower-cost state vehicles.

6. Parking expenses
   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.

   Status: Ongoing. 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.

C. Printing and Mail

1. 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: Ongoing. Interoffice mail delivery is widely utilized by state agencies and is available at no cost to state agencies located in the downtown Columbus area. Since the signing of the Executive Order, we have noticed a significant decrease in use of U.S. Mail for agency-to-agency correspondence. We will continue to emphasize the use of interoffice mail to our customers.

   Regarding mail preparation, since the issuance of the Executive Order, 24 new agencies have joined the centralized mail metering program in addition to the 53 agencies already using the service. Agencies which have transitioned their mail processing to DAS have reported an estimated savings of $108,000 in equipment and supply costs. Additional savings from staff reassignment has not been calculated. The DAS State Mail Service is now processing an estimated 1.6 million additional pieces of mail annually without an increase in staffing, equipment or other costs.

   New service: DAS has established a new pre-sorted flat mail contract which has been in place since March 2010. The contract, awarded to Pitney Bowes, saves 12.3¢ to 15.3¢ per each flat piece of mail over the U.S. Postal Service's first class rates. Since March 2010 this new program has provided a savings of $52,702 for our customers. We anticipate an increase in volume as we educate our customers on the terms and conditions of this new service.

2. Major printing and related services
   Executive Order 2009-07S: 8.d.ii., Ohio Revised Code 126.504(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.

   Status: Ongoing: All agency copy centers have closed and the printing from those centers has been centralized to DAS printing centers. All agency mainframe printing and fulfillment operations, with the exception of the Department of Public Safety (DPS) and the Ohio Industrial Commission (OIC), have closed and that production printing and fulfillment is now handled by the DAS mainframe and fulfillment center at Integrity Drive. We have moved a large number of DPS mainframe printing projects to DAS' operations. However, the largest print volume projects which are from within the DPS Registrar's Office have not yet transitioned over to DAS. We have given DPS a deadline of Aug. 31 to move the remaining print applications over to the central facility.

   DAS began handling the fulfillment process for OIC in November 2009. We have encountered several file format problems and hope to have all issues resolved and printing moved to our central facility within the first quarter of FY 11.

   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. A fiscal review indicates that the consolidated printing/mail program is managing expenses within the new lower rates, and we have forwarded our recommended FY 11 rates to OBM for approval that include reductions in our color and mainframe printing rates.

D. Information Technology Expenses

1. <u>IT reductions: common hardware, software, servers and security</u>
Executive Order 2009-07S: 8.e.ii.a., Ohio Revised Code 125.18(B)(2)
Reduce the cost of IT for state government through the adoption of common hardware, software, services and security.

While state agencies share many similar technologies, ultimately multiple approaches exist to solve the same problem. The state's investment in technology over the last eight years shows that agencies collectively invest more in infrastructure than in applications. By establishing standards around infrastructure, agencies will be able to invest more in applications that are core and unique to their missions to deliver services that improve the efficiency and effectiveness of government.

<u>Status</u>: Ongoing. The DAS Office of Information Technology (OIT) Enterprise Technical Architecture Subcommittee continues to work 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 Subcommittee's primary objective is to analyze, recommend, establish and maintain an Enterprise Technical Architecture for the state of Ohio and to identify, prioritize and approve specific efforts consistent with this vision. The Subcommittee consists of 33 participating agencies, 16 core committee members and 58 community-of-interest members who are agency employees that benefit from or utilize these tools and services. Over time, the work of the Subcommittee 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 Subcommittee to assist in accomplishing its goals. Recommendations are being prepared which consider topics in the server, storage, endpoint computing, and LAN/WAN arenas, as well as general procurement practices.

- <u>Server and Storage Virtualization and Consolidation Workgroup</u> is developing enterprise technical architecture and best practice recommendations for servers and storage virtualization and consolidation. These recommendations are incorporated into FY12/13 budget guidance and the Cost Efficiency Standard #2: Server Virtualization Program.

- <u>Endpoint Computing Workgroup</u> is developing enterprise technical architecture and best practice recommendations for an endpoint computing model that will authenticate a state employee user, the user's computing device and the health of that device prior to authorizing access to the state's networks. The Working Group is developing standards and guidelines to provide model specifications for desktops, laptops/tablets, workstations and netbooks.

- <u>LAN/WAN Workgroup</u> is 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 as well as component architecture specifications.

FY12/13 Operating Budget Guidance also provides instruction to agencies as they prepare their biennial IT Budget Plans. This includes provisions for security strategic planning in accordance with ORC 125.18(C)(1) and investing in common IT services such as OAKS, Email, and server management.

2. 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: Ongoing. 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 Subcommittee, which has assigned mobile devices to its Endpoint Workgroup.

   Agencies should reference DAS IT Policy H.2: Use of State Telephones for requirements for the use of wired and wireless state telephone service and DAS IT Policy B.9: Portable Computing Security for additional guidance for portable computing devices. DAS Office of Information Technology is engaging agencies in the initial process to revise these policies to guide agencies in the provision of Blackberries and other mobile and handheld computing and telecommunications devices.

3. IT reductions: extend service life of IT systems
   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.

   Status: Ongoing. While use of this strategy can reduce spending in the short term, it should be 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 shift in practice for state agencies – moving 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.

Through the biennial budget process DAS will work with agencies to specifically target areas of proposed technology spending where it makes better business sense to leverage current deployed common services such as OAKS, Ohio Business Gateway and OBM Shared Services.

4. IT reductions: printing and electronic records
Executive Order 2009-07S: 8.e.ii.d., Ohio Revised Code 125.18(B)(8)
Reduce computer printing and increase use of electronic records.

Status: Ongoing. 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 accurately scan, store, search and retrieve electronic records.

With regard to a reduction in printing, agencies participating in DAS' Cost-Per-Copy program have realized reductions in printing costs as it raises employee awareness of the costs of making copies. Within the Cost-Per-Copy program, State Printing conducts an assessment of an agency's current printer environment and identifies where consolidation opportunities exist. Cost Efficiency Standard #1: Local Print Consolidation Program was issued on June 8, 2010, to encourage agencies to participate in this program.

The DAS IT Standard - PLF-03 Printer Total Cost of Ownership has been incorporated into the print consolidation effort to produce a single program.

5. 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: Ongoing. This strategy continues. Progress will 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.

Cost Efficiency Standard #2: Server Virtualization Program was issued on June 24, 2010, to provide agencies with the tools and resources necessary for the design and implementation of server virtualization.

In addition to cost savings, server virtualization provides the following benefits:

- Energy reduction
- Enhanced disaster recovery and business continuity capability
- Rapid server deployment
- Enhanced operational flexibility
- More predictable server costs
- Better asset tracking

II. Agency Spending for Expense Categories 510, 520 and 530

A. FY 2009 v. FY 2010 Q1 + Q2 + Q3 + Q4 Spending by Agency - Contracts, Maintenance, and Equipment

This report shows all agency operations spending in the appropriation allotment categories for contracts (account 510), maintenance (account 520), and equipment (account 530) in all four quarters of FY 2009 compared to the same period in FY 2010. Executive Order 2009-07S applied to many, but not all, types of expenditures in these expense categories. At the bottom of the report, OBM has removed major expenses of which we are aware that represent accounting changes or do not represent state agency operating costs. The numbers presented here represent individual transactions that are aggregated from the OAKS Financials accounting system; they are not audited by OBM. This data provides information on spending at two points in time between which agencies may have changed coding for ongoing or annual expenses, bought different goods or services, bought goods and services at different times, etc. All questions about agency spending should be directed to the agencies.

Agency Code	Agency	FY 2009	FY 2010	Diff. between FY09 and FY10	% Change
ACC	Accountancy Board	$ 215,086.08	$ 239,787.38	$ 24,701.30	11.5%
ADA	Alcohol and Drug Addiction Services	$ 2,568,243.39	$ 1,662,455.51	$ (905,787.88)	-35.3%
ADJ	Adjutant General	$ 16,432,136.21	$ 13,572,532.36	$ (2,859,603.85)	-17.4%
AFC	Cultural Facilities Commission	$ 354,451.22	$ 393,213.97	$ 38,762.75	10.9%
AGE	Aging	$ 3,741,760.49	$ 2,629,369.29	$ (1,112,391.20)	-29.7%
AGO	Attorney General	$ 45,095,016.57	$ 40,539,883.68	$ (4,555,132.89)	-10.1%
AGR	Agriculture	$ 10,407,873.86	$ 13,329,487.29	$ 2,921,613.43	28.1%
AIR	Air Quality Development Authority	$ 126,341.88	$ 35,771.52	$ (90,570.36)	-71.7%
AMB	Medical Transportation Board	$ 277,577.65	$ 237,392.51	$ (40,185.14)	-14.5%
ARC	Architects Board	$ 84,708.07	$ 67,654.56	$ (17,053.51)	-20.1%
ART	Arts Council	$ 710,532.18	$ 498,560.98	$ (211,971.20)	-29.8%
ATH	Athletic Commission	$ 34,817.30	$ 47,501.81	$ 12,684.51	36.4%
AUD	Auditor of State	$ 8,555,053.24	$ 8,275,007.11	$ (280,046.13)	-3.3%
BDP	Board of Deposit	$ 1,144,232.07	$ 1,336,935.08	$ 192,703.01	16.8%
BOR	Board of Regents	$ 3,825,599.78	$ 2,754,164.17	$ (1,071,435.61)	-28.0%
BRB	Barber Board	$ 133,684.94	$ 99,219.09	$ (34,465.85)	-25.8%
BTA	Board of Tax Appeals	$ 104,223.58	$ 82,031.89	$ (22,191.69)	-21.3%
BWC	Bureau of Workers' Compensation	$ 54,252,969.58	$ 52,154,656.89	$ (2,098,312.69)	-3.9%
CDP	Chemical Dependency Professionals Board	$ 153,483.30	$ 89,897.70	$ (63,585.60)	-41.4%
CDR	Commission on Dispute Resolution	$ 45,632.48	$ 30,776.30	$ (14,856.18)	-32.6%
CHR	Chiropractic Board	$ 119,104.18	$ 98,243.85	$ (20,860.33)	-17.5%
CIV	Civil Rights Commission	$ 972,792.85	$ 780,329.71	$ (192,463.14)	-19.8%
CLA	Court of Claims	$ 412,442.70	$ 363,442.59	$ (49,000.11)	-11.9%
COM	Commerce	$ 65,988,194.83	$ 64,973,564.32	$ (1,014,630.51)	-1.5%
COS	Cosmetology Board	$ 760,088.53	$ 596,105.57	$ (163,982.96)	-21.6%
CRB	Motor Vehicle Collision Repair Registration Board	$ 35,812.13	$ 50,627.59	$ 14,815.46	41.4%
CSF	Commissioners of the Sinking Fund	$ 203,400.86	$ -	$ (203,400.86)	-100.0%
CSR	Capital Square Review and Advisory Board	$ 1,832,040.31	$ 1,650,691.46	$ (181,348.85)	-9.9%
CSW	Counselor, Social Worker, and Marriage & Family Therapist Board	$ 237,525.44	$ 211,080.66	$ (26,444.78)	-11.1%
DAS	Administrative Services	$ 130,935,880.91	$ 134,046,437.57	$ 3,110,556.66	2.4%
DEN	Dental Board	$ 438,202.07	$ 380,087.78	$ (58,114.29)	-13.3%
DEV	Development	$ 23,171,823.26	$ 31,674,691.68	$ 8,502,868.42	36.7%
DMH	Mental Health	$ 65,114,059.24	$ 60,564,727.26	$ (4,549,331.98)	-7.0%
DMR	Developmental Disabilities	$ 44,782,825.39	$ 48,105,313.71	$ 3,322,488.32	7.4%
DNR	Natural Resources	$ 55,584,774.75	$ 53,386,454.92	$ (2,198,319.83)	-4.0%
DOH	Health	$ 106,135,460.68	$ 91,059,342.21	$ (15,076,118.47)	-14.2%
DOT	Transportation	$ 156,169,167.91	$ 140,493,049.51	$ (15,676,118.40)	-10.0%
DPS	Public Safety	$ 100,382,422.87	$ 92,407,999.90	$ (7,974,422.97)	-7.9%
DRC	Rehabilitation and Correction	$ 538,862,284.86	$ 412,046,026.37	$ (126,816,258.49)	-23.5%
DVM	Veterinary Medical Board	$ 80,634.17	$ 72,499.07	$ (8,135.10)	-10.1%
DVS	Veterans Services	$ 8,657,305.69	$ 9,598,885.99	$ 941,580.30	10.9%
DYS	Youth Services	$ 37,458,085.63	$ 28,866,517.64	$ (8,591,567.99)	-22.9%
EBR	Environmental Review Appeals Commission	$ 67,222.48	$ 65,753.80	$ (1,468.68)	-2.2%
EDU	Education	$ 112,938,490.35	$ 99,583,752.03	$ (13,354,738.32)	-11.8%
ELC	Elections Commission	$ 132,870.97	$ 116,373.46	$ (16,497.51)	-12.4%
ENG	Engineers and Surveyors Board	$ 186,342.98	$ 228,823.16	$ 42,480.18	22.8%
EPA	Environmental Protection Agency	$ 52,037,643.32	$ 47,419,525.37	$ (4,618,117.95)	-8.9%
ERB	Employment Relations Board	$ 405,090.03	$ 358,329.22	$ (46,760.81)	-11.5%
ETC	eTech Ohio Commission	$ 4,809,718.01	$ 3,999,312.27	$ (810,405.74)	-16.8%
ETH	Ethics Commission	$ 202,933.36	$ 136,016.80	$ (66,916.56)	-33.0%
EXP	Expositions Commission	$ 7,070,976.70	$ 7,630,555.45	$ 559,578.75	7.9%
FUN	Embalmers and Funeral Directors Board	$ 161,126.74	$ 119,595.74	$ (41,531.00)	-25.8%
GOV	Governor	$ 458,954.74	$ 337,159.28	$ (121,795.46)	-26.5%
HEF	Higher Educational Facility Commission	$ 5,405.28	$ 6,586.21	$ 1,180.93	21.8%

Agency Code	Agency	FY 2009	FY 2010	Diff. between FY09 and FY10	% Change
IGO	Inspector General	$ 269,361.59	$ 182,679.48	$ (86,682.11)	-32.2%
INS	Insurance	$ 6,857,824.91	$ 13,205,457.31	$ 6,347,632.40	92.6%
JCO	Judicial Conference of Ohio	$ 456,881.34	$ 337,572.48	$ (119,308.86)	-26.1%
JCR	Joint Committee on Agency Rule Review	$ 25,456.94	$ 22,589.45	$ (2,867.49)	-11.3%
JFS	Job and Family Services	$ 318,935,371.88	$ 190,948,250.72	$ (127,987,121.16)	-40.1%
JLE	Joint Legislative Ethics Committee	$ 162,145.32	$ 125,154.63	$ (36,990.69)	-22.8%
JSC	Judiciary/Supreme Court	$ 13,393,911.91	$ 9,062,293.37	$ (4,331,618.54)	-32.3%
LCO	Liquor Control Commission	$ 186,388.63	$ 207,718.84	$ 21,330.21	11.4%
LEC	Lake Erie Commission	$ 46,777.37	$ 52,533.92	$ 5,756.55	12.3%
LIB	Library Board	$ 9,192,537.70	$ 9,016,540.98	$ (175,996.72)	-1.9%
LOT	Lottery Commission	$ 492,614,180.34	$ 271,233,486.24	$ (221,380,694.10)	-44.9%
LRS	Legal Rights Services	$ 504,938.66	$ 671,340.36	$ 166,401.70	33.0%
LSC	Legislative Service Commission	$ 1,626,357.69	$ 2,190,541.93	$ 564,184.24	34.7%
MED	Medical Board	$ 1,699,525.81	$ 1,269,648.93	$ (429,876.88)	-25.3%
MHC	Manufactured Homes Commission	$ 53,021.34	$ 98,868.48	$ 45,847.14	86.5%
MIH	Commission on Minority Health	$ 67,695.76	$ 76,777.85	$ 9,082.09	13.4%
NUR	Nursing Board	$ 797,757.91	$ 900,195.35	$ 102,437.44	12.8%
OBD	Dietetics Board	$ 55,536.09	$ 50,605.23	$ (4,930.86)	-8.9%
OBM	Budget and Management	$ 13,905,218.93	$ 12,055,085.43	$ (1,850,133.50)	-13.3%
OCC	Consumers' Counsel	$ 1,859,399.99	$ 1,653,304.31	$ (206,095.68)	-11.1%
ODB	Optical Dispensers Board	$ 50,133.04	$ 38,469.10	$ (11,663.94)	-23.3%
OIC	Industrial Commission	$ 13,485,796.00	$ 10,786,384.79	$ (2,699,411.21)	-20.0%
OPP	Orthotics, Prosthetics, and Pedorthics Board	$ 14,114.88	$ 15,139.41	$ 1,024.53	7.3%
OPT	Optometry Board	$ 34,391.95	$ 41,815.33	$ 7,423.38	21.6%
OSB	School for the Blind	$ 959,595.02	$ 1,169,108.37	$ 209,513.35	21.8%
OSD	School for the Deaf	$ 1,152,500.45	$ 1,059,574.15	$ (92,926.30)	-8.1%
OVH	Veterans Home	$ 1,151,495.02	$ -	$ (1,151,495.02)	-100.0%
PAY	Employee Benefits Funds	$ 15,299,966.70	$ 14,329,372.49	$ (970,594.21)	-6.3%
PBR	Personnel Board of Review	$ 127,740.24	$ -	$ (127,740.24)	-100.0%
PRX	Pharmacy Board	$ 983,812.72	$ 776,611.33	$ (207,201.39)	-21.1%
PSY	Psychology Board	$ 115,345.47	$ 84,820.39	$ (30,525.08)	-26.5%
PUB	Public Defender Commission	$ 2,963,932.43	$ 3,330,368.07	$ 366,435.64	12.4%
PUC	Public Utilities Commission	$ 8,548,478.02	$ 7,647,343.92	$ (901,134.10)	-10.5%
PWC	Public Works Commission	$ 146,619.61	$ 153,815.54	$ 7,195.93	4.9%
PYT	Occupational Therapy, Physical Therapy, and Athletic Trainers Board	$ 230,756.98	$ 147,107.50	$ (83,649.48)	-36.3%
RAC	Racing Commission	$ 2,436,624.36	$ 2,094,445.44	$ (342,178.92)	-14.0%
RCB	Respiratory Care Board	$ 106,042.16	$ 93,330.60	$ (12,711.56)	-12.0%
REP	House of Representatives	$ 1,374,716.40	$ 1,294,182.67	$ (80,533.73)	-5.9%
RSC	Rehabilitation Services Commission	$ 27,997,522.82	$ 29,248,911.51	$ 1,251,388.69	4.5%
SAN	Sanitarian Registration Board	$ 22,040.19	$ 20,650.34	$ (1,389.85)	-6.3%
SCR	Career Colleges and Schools Board	$ 194,684.36	$ 144,737.01	$ (49,947.35)	-25.7%
SEN	Senate	$ 1,224,789.70	$ 813,054.90	$ (411,734.80)	-33.6%
SFC	School Facilities Commission	$ 2,106,468.05	$ 1,618,213.35	$ (488,254.70)	-23.2%
SOS	Secretary of State	$ 6,074,818.37	$ 4,121,906.27	$ (1,952,912.10)	-32.1%
SPA	Commission on Hispanic/Latino Affairs	$ 97,511.40	$ 64,069.33	$ (33,442.07)	-34.3%
SPE	Speech-Language Pathology and Audiology Board	$ 116,012.54	$ 128,798.48	$ 12,785.94	11.0%
TAX	Taxation	$ 26,521,272.66	$ 29,389,783.98	$ 2,868,511.32	10.8%
TOS	Treasurer of State	$ 1,658,691.43	$ 1,918,610.82	$ 259,919.39	15.7%
TTA	Tuition Trust Authority	$ 3,426,602.93	$ 3,293,486.37	$ (133,116.56)	-3.9%
Grand Total		**$ 2,646,407,294.10**	**$ 2,096,688,957.99**	**$ (549,718,336.11)**	**-20.8%**
	LESS Lottery prize winnings	$ 409,180,791.49	$ 204,629,832.44	$ (204,550,959.05)	-50.0%
	LESS DRC FY09 transfer now coded differently in FY10	$ 104,097,742.83	$ -	$ (104,097,742.83)	-100.0%
	Net reduced agency spending	**$ 2,133,128,759.78**	**$ 1,892,059,125.55**	**$ (241,069,634.23)**	**-11.3%**

B. Explanations of Large Agency Spending Differences for Q1-Q4 of FY09 versus FY10 for Expense Categories 510 + 520 + 530

The summary data for FY10 shows an aggregate statewide reduction in administrative spending (after adjustments for non-operating expenses) of 11.3% compared to FY09. Agency-specific spending differences after adjustments range from a reduction of $128.0 million (Department of Job and Family Services) to an increase of $8.5 million (Department of Development) compared to the same period of spending in FY09. Agencies that experienced a spending reduction of greater than $10.0 million or a spending increase of greater than $1.0 million were asked to provide an explanation for those variances. These explanations are provided below. Please contact agencies directly for further information regarding spending variances.

Reductions in Spending Greater than $10.0 Million

<u>Lottery Commission: -$16.8 million after adjustment (-$221.4 million before adjustment)</u>

- Prize and commission payments, which have been deducted from total agency spending amounts, are $204.6 million less this year compared to last year due to fewer winning jackpot claims in Ohio. Additional non-prize savings totaling $16.8 million were realized primarily through reduced telecommunications charges and vendor fees as a result of a new gaming contract with Intralot and through reduced equipment purchases pursuant to Executive Orders.

<u>Department of Job and Family Services: -$128.0 million</u>

- There were several reasons behind the $128 million reduction in spending for Accounts 510, 520, and 530 spending between the two fiscal years. The TANF Block Grant line item, ALI 600689, shows an overall decrease of $95.7 million within the three account categories. The main driver was the elimination of the Early Learning Initiative (ELI) program in August 2009 which was funded with TANF funds via contracts with individual ELI providers. Computer Projects, ALI 600416, spending decreased by $17.1 million, which was mainly attributable to reduced state share contract spending among various IT systems. This was based on little system development work done in FY10. Furthermore, maintenance expenditures were reduced related to Central Administration printing and postages costs as the Internet was utilized to post materials.

<u>Department of Rehabilitation and Corrections: -$22.7 million after adjustment (-$126.8 million before adjustment)</u>

- $104.1 million of the reduction is the result of a coding change, rather than a cost savings. In previous years, inter-fund transfers between the GRF (ALI 501321) and funds 1480 and 4B00 were coded as a 520 expense. Since FY10, these transfers have been coded as a 595 expense. The remaining reduction of $22.7 million is the result of a number of actions and occurrences. One major factor partially outside of DRC's control which has driven down costs is utility bills. DRC spent nearly $10.2 million less on utility bills in FY10 compared to the same period in FY09. Another cause for the reduction in administrative spending is that the comprehensive medical/mental health contract at Trumbull Correctional Institution expired. Services are now being provided primarily by state employees, shifting expenses from 510 to 500. Finally, contracts for IT were reviewed in FY09 in compliance with Executive Orders. Numerous contracts were cancelled or reduced as a result.

<u>Department of Transportation: -$15.7 million</u>

- There are many factors which resulted in ODOT's operating costs being lower in 2010 than 2009. First and foremost, the Department has taken the Governor's Executive Order seriously, and attempted to reduce operating costs wherever possible. In addition, the Department made efforts to reduce operating costs by 5% each year for fiscal years 2009, 2010, and 2011 even before the Governor's Executive Order was issued. With that said, there are two key reasons for the reduction in FY10 as compared to FY09. First, during FY09, salt was at record high prices due to a production shortage. In FY10, salt prices declined significantly, resulting in a savings of approximately $13.7 million. Second, fuel costs are down by about $2 million during that time period. The primary reason is due to the high cost per gallon of fuel experienced during calendar year 2008, which encompassed the first half of FY09.

Department of Health: -$15.1 million

- The Department of Health experienced lower spending in several areas due to reduction in program activities, purchasing, in-sourcing, and indirect costs due to reduction of FY10 appropriation. These total $8.7 million and include Animal Borne Disease, Breast and Cervical Cancer Screenings, Public Health Laboratory, Maternal Child Health Block Grant, agency support costs, and fees supported programs. Contractual costs were changed to subsidy to better reflect the nature of the charges, which totaled approximately $6.2 million for AIDS Prevention and Treatment and federal public health. Costs for the tobacco use prevention program decreased $3.4 million due to an increase in FY 09 allocation for outstanding debt. Approximately $1 million for Pneumococcal Vaccines for Children (formerly ALI 440432) funding was terminated in FY10.
- Increases included $770,400 in increased purchases of immunizations, $550,000 in contract expenditures to support the Parents as Teachers National contract for Help Me Grow, and an additional $3.2 million for WIC to cover additional outreach materials for local projects, computer purchases, and payment for ODH's portion of the infant formula rebate contract paid to DAS that was not billed in FY09.

Department of Education: -$13.4 million

- For the GRF, the largest reduction was attributed to reduced personal service contracts. Those decreased by $10.5 million, or 20%. The remaining $2.5 million is attributable to maintenance and equipment, with reductions of 22% and 33%, respectively. These are a direct result of spending controls and cost-savings measures, such as reduced travel and the elimination of all but the most essential equipment purchases.
- Lower spending is also due to elimination of certain FY10 appropriation line items.
- Certain federal grants have ended and spending is phased out.

Increases in Spending Greater than $1.0 Million

Department of Development: +$8.5 million

The Ohio Department of Development's expenditures on contracts, maintenance and equipment increased in state FY10 primarily because of the agency's role in administering federal funds for the American Recovery and Reinvestment Act (ARRA). Contributing to the increase, DEV spent $6.16 million in federal stimulus funds on the Energy Star Rebate Program (Fund 3DA0, ALI 195632). Although these expenditures were coded as contractual payments, the vast majority of the expenditures were paid directly to Ohioans through a rebate processing vendor. Funding for the Community Development Block Grant (Fund 3K90, ALI 195611), the HEAP Weatherization program (Fund 3K90, ALI 195614), and Federal Projects (Fund 3080, ALI 195605) constituted an additional increase of $2.15 million.

Department of Insurance: +$6.3 million

- The difference is primarily due to a $5.8 million one-time payment to Ohio Health Information Inc. approved by the Controlling Board. This non-profit organization's mission is to lead and coordinate the statewide effort to digitize medical records.

Department of Developmental Disabilities: +$3.3 million

- The primary driver of the $3.3 million increase in operational costs is attributable to amendments to Revised Code Section 5112.30 made in HB1, which removed the exclusion of the Developmental Centers from the Intermediate Care Facilities for the Mentally Retarded (ICF/MR) franchise fee.

Department of Administrative Services: +$3.1 million

- DAS's spending in contracts, maintenance, and equipment rose in FY10 primarily because of the agency's role as a provider of central services to other state agencies and spending that allows the state to achieve savings through consolidation and economies of scale. Most of the increased spending came from the replacement of obsolete technical equipment, including use of a federal grant from the U.S. Department of Homeland Security. Operating costs for the Multi-Agency Radio Communication System (MARCS) also increased in FY10, primarily due to ongoing maintenance and administrative charges. Other spending increases came from large contracts with information technology service providers to operate the state's enterprise financial and human resources system, OAKS, and for a statewide effort to consolidate mainframe software. Also contributing to the increase is $2.3 million from a new line item that did not exist in FY 09. This line item, Leveraged Enterprise Purchases, is essentially a pass-through that enables DAS to act as a central technology purchaser for groups of state agencies that would otherwise undertake such purchases in isolation and at higher overall costs. The State Architect's Office experienced increased costs of $1.1 million over FY09 spending due mainly to implementation and support for the state's capital improvements system and increased contracting for energy conservation projects.

Department of Agriculture: +$2.9 million

- AGR's spending in contracts, maintenance, and equipment increased in FY10 primarily due to the agency's accounting restructuring to allow individual divisions within the agency to pay an applicable share of the agency's central service and administrative costs. Previously such costs, which were primarily payroll, were charged directly to the divisions. As a result of the change all central service and administrative costs are charged to Fund 700655, ALI 5GHO, Central Support – Indirect Cost and the payment by the divisions of the overhead charge is from account 529 of each fund.
- In addition, the Plant Industry Division incurred more than $300,000 in expenditures in account 510 as a result of various MOUs with The Ohio State University (OSU). In prior years, the development of pesticide and pest management study materials was done in-house. Beginning in FY10, this activity was done by OSU via MOUs totaling $250,000. In addition, a large portion of the apiary program, which was also previously done by in-house personnel, is now being done by OSU through another MOU. Expenditures for all the OSU MOUs were made through account 510.

Department of Taxation: +$2.9 million

- In FY10, the department paid its first incentive payments to the contractor hired to identify and capture additional tax revenues for the State of Ohio. The contractor receives a portion of tax revenues collected under this Discovery Project, which was mandated by HB 1. These incentive payments totaled $4.4 million in FY10, and they are the reason total department spending on account 510, 520, and 530 expenses increased last year compared to FY09. Other reductions in agency operations spending offset the Discovery Project incentive payments to result in the net increase of $2.9 million for these expense account categories.

Rehabilitation Services Commission : +$1.3 million

- Staff in RSC's Bureau of Disability Determination increased significantly due to increased workloads. This, in turn, led to increases in maintenance, equipment, and building rent costs. In addition, parts of RSC's facilities underwent renovations, leading to increased building costs. Total increase was $1.8 million.
- The Vocational Rehabilitation program decreased by $600,000 due to staff reductions from an ERI implemented throughout FY10. The reduction in staff led to decreased travel, rent, and equipment costs.

III. CONCLUSION

The preceding summary data for FY10 shows an adjusted combined reduction of 11.3% in expense spending in comparison to FY09.

In consultation with you and pursuant to your approval, starting with Fiscal Year 2011, DAS and OBM will move to a semi-annual report schedule. The Executive Order has now been effect for more than a full fiscal year. The same budget compressions experienced in FY10 will continue in Fiscal Year 2011 which means that it is unlikely that the two comparison years will have significantly different experiences from one another to report. Further, moving to a six-month reporting cycle will enable a better representation of developments and activities occurring with our large-scale initiatives, such as IT modernization and strategic sourcing. The bi-annual schedule also aligns with the semi-annual reports to the General Assembly codified in Am. Sub. H.B.1 (128^{th} General Assembly).

The next report is due following the close of the second quarter of Fiscal Year 2011 and will include information for the first six months (July 1, 2010 through December 31, 2010). The comparable period of time from FY10 will also be analyzed to provide the variance in spending between the two fiscal time periods. It should be noted that there will be much less of a difference to report in fiscal year 2011 when comparing to FY10. This is because both years are subject to the executive order's spending limitations whereas most of FY09 was not subject to the order.

In addition to summarizing spending activity among the agencies, DAS and OBM will also report on the spending control strategies that continue to garner savings as well as provide updates pertaining to advancements made within the strategies that enable agencies to better utilizing the strategies.