



RENEW. REFORM. REVIVE.

BUDGET OF THE STATE OF OHIO • FISCAL YEARS 2012-2013

NEW COST-SAVINGS TOOLS FOR LOCAL GOVERNMENT AND SCHOOLS

Saving Money Through Shared Services and Reform

Ohioans shoulder higher combined state and local tax burdens than residents of most other states largely due to high local taxes. Changes to the Local Government Fund will reduce state subsidies for local governments—a practice the federal government ended decades ago. To help local governments adjust to those changes, the budget tears down barriers which have prevented local governments from working together, changes construction law and prevailing wage rules to save governments and schools money on building projects, and creates initiatives aimed at reducing costs and rapidly expediting the implementation of shared services.

UNIVERSAL AUTHORITY TO WORK ACROSS BOUNDARIES: Prior to passage of the budget, four different sections of the Ohio Revised Code specified how townships may collaborate with other governments to provide services. The budget allows any school or government to share staff, equipment or facilities through simple agreements. They can also come together to purchase supplies and equipment or conduct joint projects without unnecessary hurdles.

ENCOURAGING SHARED SERVICES AND INNOVATION: The budget creates the Local Government Innovation Program to award loans or grants to political subdivisions and schools that wish to work together. The program will be administered by the Department of Development and the newly-created 15 member Local Government Innovation Council.

- Up to 20% of the funds will be awarded as grants, the remainder through a revolving loan program to be repaid from savings from the new efficiencies. Each government entity is eligible for up to \$100,000 and projects with multiple participants are eligible for up to \$500,000.
- The program will receive \$45 Million in FY2013 and funds will be awarded in two tiers: one for governments of less than 50,000 population and counties with less than 130,000 population, and a second tier for larger governments.

REQUIRING COUNTY OFFICES TO USE CENTRALIZED SERVICES: The budget provides authority to county commissions to require other county offices to use centralized services such as purchasing, transportation, vehicle maintenance, human resources, printing and mail operations. Independently-elected officials will maintain the authority to carry out their core functions, while creating economies of scale for back-office administrative functions.

REGIONAL SHARED SERVICE CENTERS: A recent KnowledgeWorks study has estimated that there is \$1.37 billion in potential administrative savings in Ohio schools. Unfortunately, multiple layers of regional organizations provide administrative and instructional support services to Ohio's schools. Education Service Centers, Information Technology Centers and various regional programs of the department of Education provide overlapping and uncoordinated support for our primary and secondary education system. The budget calls for integrating these entities by July 1, 2012 into a single collection of Regional Shared Service Centers that can provide support services to both school districts and local governments.

SOIL AND WATER CONSERVATION PROGRAM DELIVERY TASK FORCE: The budget requires the Department of Natural Resources to convene a task force to develop recommendations for more efficient and effective operations including consolidation into regions instead of the current 88-county structure.

PUBLIC EMPLOYEES HEALTH CARE PROGRAM: Since 2006, the School Employees Health Care Board has studied the opportunities for savings and increased benefits coordination across Ohio's primary and secondary schools and institutions of higher learning and has identified more than \$300 million in potential two year savings. The budget calls for the evaluation of a separate "Public Employees Healthcare Program" by studying existing purchasing consortia and pooling to determine additional best practices and what efficiencies have been gained through economies of scale. The budget also allows the Department of Administrative Services to develop regional pools of employees, allowing local governments and schools a more efficient delivery system of quality health benefits.

CONSTRUCTION REFORM: Ohio is the only state in the nation that still mandates multiple-prime construction for public projects. As other states have learned, requiring four separate "prime" contractors drives up costs and creates confusion and conflict on construction sites. Eliminating multiple-prime allows public projects to have a single general contractor, saving taxpayers, state and local governments and universities millions of dollars.

PREVAILING WAGE REFORM: Ohio's prevailing wage law was enacted in 1931 and reformed just once, in 1994, to raise thresholds for new public construction projects. Over the years, prevailing wage rules have driven up taxpayers' costs without guaranteeing a better product. Moreover, the rules make it increasingly difficult for small and new contractors to win government bids because of high union wages. The budget increases the threshold of public projects impacted by prevailing wage to \$250,000 for new construction and \$75,000 for renovations over three years, saves school districts money by prohibiting prevailing wage requirements from applying to them, and ensures taxpayers are getting their money's worth by increasing competition in the bid process. Importantly, prevailing wage rules are eliminated for all new private-sector construction projects supported by state economic development programs, thus making Ohio more job friendly to businesses seeking to expand or relocate to the state.

STATEWIDE PUBLIC NOTICE WEBSITE: The budget simplifies public notice advertising requirements for local government and creates a new statewide public notice website available for use by all public entities. There will be no cost to governments that use it. Participants are still required to run ads in the local newspaper, but they can be much smaller and less expensive than currently required, for a potential statewide savings of tens of millions of dollars annually. It will also more easily link Ohio businesses with Ohio's 3,700 local government entities that are their potential customers.

THE OUTCOME: The structure and operation of local governance in Ohio has experienced little change since the 19th century, while mandates have grown more costly and complex. Reforming the ways local governments are structured and funded allows local communities to become more fiscally sustainable, reduce their costs so they can begin reducing their taxes, and improve the quality of services they provide to their citizens.

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