

**Ohio Department of Administrative Services
House Finance Higher Education Subcommittee
2020-2021 Biennial Budget – Sub. House Bill 166**

Tuesday, April 2, 2019

Chairman Carfagna, Ranking Member Sweeney, and members of the House Finance Subcommittee on Higher Education. I am Matt Damschroder, Director of the Department of Administrative Services. Thank you for the opportunity to present our 2020-2021 biennial budget.

DAS funding for the next biennium supports the DAS mission and aligns with Governor DeWine's policy priorities.

You may not think of it this way, but when a mom uses food assistance to buy eggs, cereal, and milk for her family's breakfast, she doesn't know that DAS stands behind her. When police, fire, and ambulances respond to a 911 call, DAS helped make that run possible. When an entrepreneur creates a new business in the state, a veteran earns a state contract, a grandpa visits a licensed medical provider, or a state employee leads a dad to addiction services so that he can be there for his children...DAS was there, in the background, supporting the state agencies, boards, and commissions, and may local governments so that they can concentrate their resources, including financial resources, on *their* core missions and services provided directly to Ohioans.

DAS is organized into six divisions: Information Technology, Equal Opportunity, General Services, Human Resources, Collective Bargaining, and Administrative Support. Through these divisions, DAS delivers more than 25 programs that provide centralized business services to all state agencies – through information technology management, human resources services, procurement of goods and services, and facility and fleet management, to name a few. Centralization of common business functions is a powerful tool that lets us limit costly redundancies in state government and, in turn, benefit Ohio taxpayers. DAS is pleased to present an operating budget that holds annual increases to under one percent in FY 2020 and then under four percent in FY 2021.

General Revenue Funding

I would like to begin the discussion of DAS's next biennial budget by touching briefly on our general revenue funding. Overall, only 18 percent of the DAS budget comes from the GRF. Of that portion, less than 15 percent goes toward the programs managed by our operating divisions. The bulk of the agency's GRF funding – 85 percent – pays for debt service and rent payments on behalf of elected officials, including the House of Representatives, in buildings owned and managed by DAS.

Most DAS operations are supported by non-GRF funds that receive revenue from state agency customers for the services we deliver. These pay-to-use services include things like human resources services, collective bargaining services, procurement services, and operation of enterprise IT solutions, to name a few. We are constantly looking for opportunities to realize savings for the state as an enterprise. Across the board, the team at DAS works hard to hold down costs so that the rates we charge for our services are as low as possible.

In the current operating budget, DAS has been able to deploy a GRF line item, MARCS Fee Offset, to reduce the monthly subscription fees for local government first responders using the statewide Multi-Agency Radio Communication System (MARCS). This GRF offset, combined with cash in the MARCS Administration Fund, has enabled MARCS fees to remain flat for both local government and statewide users, even as the state's total operating costs have grown as the number of users has increased. We are currently conducting an analysis to better understand the long-term sustainability of this approach in the absence of the GRF offset in the upcoming biennium, but additional revenue from subscription fee increases for local and state users would likely be needed at some future point to maintain system operations.

Within the Information Technology program series, you may note that several of the 15 line items that comprise the funding for the DAS Office of Information Technology show significant increases or decreases compared to the current biennium. These changes are largely the effect of line item restructuring that DAS undertook with the Office of Budget and Management. While individual line items may show greater variance, the net impact of the Executive Budget appropriations for all DAS OIT line items is a modest 2.2 percent increase over FY 2019 for FY 2020 followed by a smaller 1.7 percent increase in FY 2021.

The DAS budget outlines the financial resources that will be required to continue to provide services in a cost-effective and efficient manner during the upcoming biennium. Within the many services that DAS provides, there are several initiatives, some of which are new, that I would like to highlight.

InnovateOhio

First, I would like to discuss Governor DeWine's InnovateOhio initiative. Under the direction of Lieutenant Governor Jon Husted, InnovateOhio will make state government a more effective and efficient leader in using technology to improve customer service and save tax dollars. In doing so, we will make Ohio a state that attracts talent, business, and new investment. An advisory board made up of Ohio business and technology leaders will advise the Administration on how the state can improve customer service, and we will identify a Chief Experience Officer to lead and guide change as state agencies adapt to customer experience transformation and to represent customer experience interests across the Administration.

Some of the key strategies of InnovateOhio include data sharing and analytics, as well as creating secure, convenient digital records for constituents – strategies that are important to our state agency customers as well. Of the \$21.5 million per year of appropriation authority requested for the IT Development Fund, more than half will directly support InnovateOhio. The Executive Budget provides for a \$12.5 million GRF transfer into the IT Development Fund to support this activity.

The remainder of the appropriation in this fund will be supported by revenue from an ongoing IT Development Assessment paid by agencies to support the build out of central IT services. In the past, development of a central service usually involved a single agency approaching DAS about a technology need and providing the initial funding for DAS to develop the service. This meant that agencies with fewer resources often had unmet needs. There was no mechanism to collectively fund pilots of new IT solutions for the enterprise or help support higher start-up costs for systems that would eventually benefit multiple agencies. The IT Development Fund changed this approach, supporting the development and adoption of services using a statewide approach and without inflating IT service rates.

eProcurement

Another important initiative funded in this budget is eProcurement. During FY 2019, DAS finalized the evaluation and award of a Request for Proposals to implement innovative eProcurement capabilities so we can better manage procurement practices across state government. This effort is a key component of a broader initiative to strengthen state procurement – an initiative that has included process, policy, and statutory changes as well as legal steps such as contractor debarment to improve compliance and transparency. The eProcurement system will enable improvements in organization, policies, processes and technology tools that will advance the state’s capabilities across governance, planning, sourcing, contract management and other procurement management disciplines. The resulting online system will be business-focused to increase access to opportunities and enhance open, transparent opportunities. The eProcurement system will also be made available to state colleges and universities, as well as local governments, in the coming years.

The DAS budget includes funding for the operating costs of eProcurement in FY 2020-2021 within the General Services Division – Operating line item. Additionally, H.B. 166 will permit the issuance of Certificates of Participation to enable DAS to complete the phased build-out of the total eProcurement solution. DAS anticipates that \$11.5 million will enable us to complete this development and transform the state’s procurement practices.

OAKS Human Capital Management Upgrade

Another initiative planned for the upcoming biennium is an upgrade to the OAKS Human Capital Management (HCM) system. OAKS is the state’s enterprise resource planning system, a set of integrated applications that supports state government’s core financial and human resources functions. DAS houses the support organization for OAKS. We upgrade and expand services as approved by the OAKS Steering Committee, which has confirmed that the current version of the OAKS Human Capital Management module is transitioning to phased-down support and is due for a scheduled upgrade during the biennium to stay current with tax, regulatory and other compliance updates.

Similar to the funding to complete development of the new eProcurement system, funding for the OAKS HCM upgrade will come from the issuance of Certificates of Participation. H.B. 166

includes up to \$10 million to support the HCM upgrade under the umbrella of Enterprise Data and Information System Projects, which – when added to the \$11.5 million provided for eProcurement – is a total of \$21.5 million in funding for these critical projects.

Data Analytics

State government's greatest asset is data, so I would like to mention our data analytics initiative. Complex public policy problems have numerous factors that are not isolated to data collected by a single agency. To support the Governor's priorities, DAS must be prepared to provide technical, platform, and procedural and organizational change management support to a wide range of initiatives involving data sharing and analytics. During the previous administration, the Legislature funded significant data warehouse infrastructure improvements that make Ohio the envy of other states who are just starting this work. Because of this past investment, we are now able to onboard the data sets needed to produce the kinds analysis to address some our state's most vexing challenges. During the previous administration, this process started with infant mortality analytics. That iterative process continues. And RecoveryOhio is already moving forward in this administration with a multi-agency project in the opioid addiction space. The Executive Budget funds data analytics activities within the OAKS Support Organization line item.

Ohio Business Gateway (OBG)

The Ohio Business Gateway is one of the major shared solutions supported by DAS. Prior to the development of the Ohio Business Gateway, businesses in Ohio individually reported business data and remitted tax payments to multiple state agencies. Information filed with each agency was often redundant, with inconsistent due dates for reporting and tax payments. These inconsistencies and redundancies unnecessarily increased the processing and maintenance requirements for both businesses and state agencies. Today, the new OBG provides ease-of-use, data security, process efficiencies, and a tax reporting and payment interface.

Since its inception and deployment in 2002, the Gateway has grown exponentially. We collected \$250 million through the Gateway in 2003 with about 100,000 transactions; flash forward to FY 2018, during which the Gateway collected over \$18 billion in revenue through more than five million transactions.

Last summer, the state launched a modernized, customer-friendly platform for the Ohio Business Gateway, improvements that bring with them new maintenance and operating costs that did not exist in prior iterations. The Executive Budget proposes to fund the Gateway's GRF operating line item at approximately \$15 million per year for the FY 2020-2021 biennium.

Opportunity Zones

Finally, I would like to highlight an initiative that is important to both Governor DeWine and DAS, a proposed revision to Chapter 123 of the Revised Code that will give DAS limited authority to sell, transfer or dispose of real estate in designated Opportunity Zones.

One of the more significant additions to the federal tax code under the 2017 Tax Cuts and Jobs Act was the creation of an incentive program for investment in certain low-income communities called "Opportunity Zones." The program is designed to spur economic investment in distressed areas. DAS has historically relied on the Ohio General Assembly for authorization to sell, transfer, or dispose of real estate. Granting DAS this limited authority would speed up the process and give low-income communities in Ohio an edge by promoting long-term economic development. Sale of land under this limited authority would still be subject to the requirement that the sale of state lands shall be made upon the written approval of the Governor and the Attorney General, and DAS would provide a report to the General Assembly of all uses of this authority.

Conclusion

I'm pleased to have been able to draw your attention to some of the key initiatives that DAS has planned for the upcoming biennium. Given the wide variety of programs and services offered by DAS, there were many that I could not cover during our time today but for which I request your support for their Executive Budget appropriations. For instance, we expect enterprise fleet consolidation to continue. Our customers' demand for State Printing continues to grow. There is ongoing need for major building maintenance in DAS facilities. The Office of Collective Bargaining will once again be negotiating five union contracts, with the next round of bargaining beginning with OCSEA in FY 2021.

Taken as a whole, the funding requested for the next biennium will allow DAS to further our objective of providing the leadership and services necessary to achieve efficiencies and cost savings in state government, thereby enabling state agencies to devote their resources to fulfilling their designated missions. Furthermore, we can accomplish this work with only modest increases to our annual operating appropriations, compared to the current biennium. We look forward to continuing to deliver on DAS's promise of providing quality service, specialized support, and innovative solutions for the effective operation of Ohio government.

Thank you. I am happy to address any questions you may have.