



TRANSFORMING OHIO FOR GROWTH

TAX CUTS. EDUCATION & WORKFORCE.
ENERGY. MANAGEMENT EFFICIENCY.

Management Efficiency

THE MANAGEMENT EFFICIENCY PLAN: Management and Budget Improvements for Government Program and Health System Operations

Job creation remains Ohio's top priority. Though Ohio's unemployment rate has dropped from 9.0 to 7.7 percent since January 2011, too many Ohioans are still unemployed. We're making progress but Ohio still has a lot of work to do. To further efforts to recreate a jobs-friendly climate in Ohio—efforts that started last year with his Jobs Budget and other policies—Gov. John Kasich initiated a comprehensive review of state government management, operations and policies in key areas.

Referring to this process as the Mid-Biennium Review (MBR), because it came half-way through Ohio's two-year budget cycle, Gov. Kasich worked with his cabinet and staff to develop new strategies that improve the management of Ohio's government agencies and health systems, improve Ohio's education and workforce development efforts, and improve Ohioans' access to low-cost, reliable energy.

Below is an overview of reforms proposed through the Management Efficiency Plan (MEP) to help government agencies to be managed more efficiently and effectively, and to continue helping Medicaid, the state's health system for low-income Ohioans, provide better services to Ohioans who need them and better value to taxpayers.

\$1 BILLION IN TAX CUTS BY 2016, REVENUE NEUTRAL TAX REFORMS FOR BANKS

With \$800 million in tax cuts, last year's Jobs Budget began Gov. Kasich's efforts to reduce Ohio's high taxes in order to foster an environment in which job creators can succeed. Building on these cuts, the MEP proposes two new major reforms to reduce taxes and promote growth:

- An Estimated \$1 Billion Income Tax Cut by 2016: Modernizing Ohio's 40-year-old tax system for oil and gas production—in response to the growing production from Ohio's shale formations— will allow an across-the-board income tax cut for all Ohioans that could hit \$500 million annually. All new taxes on shale oil and gas production would go back to taxpayers, not government. [See separate fact sheet]
- Tax Cuts for Small Banks, Fairer Taxes for Big Ones: Ohio's current two-prong tax system for financial institutions is riddled with loopholes that some big Ohio banks have manipulated to get away with paying virtually no state taxes, all while small banks continue to pay. The current flawed system will be replaced with a single new Financial Institutions Tax (FIT) that is easier and fairer for both bank and non-bank financial institutions. Based on a single gross-receipts apportionment factor, the FIT's broader tax base will be offset by lower tax rates, making this a revenue-neutral improvement. [See separate fact sheet]

In addition, the MBR process has identified a number of changes to bring Ohio law up to date, remove outdated or unnecessary language, clarify tax policies and update the tax code to take advantage of new technologies. Among loopholes closed in the proposed legislation, pass-through entities that hold only recreational assets can no longer avoid paying Ohio sales tax.

NEW SAVINGS, NEW EFFICIENCIES IN AGENCY OPERATIONS

As a key component of the MBR, Gov. Kasich instructed his cabinet directors to carefully analyze spending and seek reductions wherever possible. Instead of imposing an across-the-board cut, the governor urged a thoughtful review of the

circumstances of individual state agencies. As a result, agencies identified a total of \$113.5 million in total reductions (\$34.7 million in GRF and \$78.8 million in non-GRF) for FY2013. The MEP also contains a number of appropriation changes related to proposed program reforms. While increases in a few agency programs were also identified to meet unanticipated needs, the result has been a net reduction in agency appropriations in FY2013.

PROGRAM RATIONALIZATION AND REFORM

Provisions identified by the MBR update and improve state programs and regulations, consolidate duplicative efforts and remove unnecessary bureaucracy in ways that save taxpayers' money and make government more efficient. A few examples:

- School Facilities/State Architect: Merging the State Architect's Office with the School Facilities Commission into a new Facilities Construction Commission will reduce costs and align related authority and resources within a single, responsive commission with oversight responsibility for all state non-transportation construction.
- Eliminating Duplication and Improving Efforts to Protect the Environment: Consolidating two Department of Natural Resources programs – recycling/litter prevention and scrap tire regulation – into closely related programs in the Ohio EPA will create a more efficient, less costly state program for material and waste management, while opening better opportunities to leverage matching grant programs.
- Reducing Costs to Administer Driver's License Examinations: Transferring license examinations from the Highway Patrol to the Bureau of Motor Vehicles and consolidating part-time examination stations with full-time Deputy Registrar offices will yield immediate, long-term cost savings and improve customer service.
- Giving County Job and Family Service Agencies the Option of Cost-Saving Consolidation: Expanding the authority to consolidate operations of county Departments of Job and Family Services (CDJFS) from three pilot counties to the entire state will allow every CDJFS to optimize public services and reduce costs.
- Lowering the Cost of Maintaining and Renovating State Buildings: Allowing the Department of Administrative Services to lease older, outdated or unused state facilities to private developers, which can then lease the space back to the state if needed, will bring the state additional revenue from all of its used and unused assets.
- Consolidating Oversight of Medical Transportation Services: Merging the duties of the Ohio Medical Transportation Board with a restructured State Board of Emergency Medical Services, which exercises the same duties, will make oversight more uniform and consistent, and save funds. The staffs of the two boards will be consolidated within the Department of Public Service.
- Consolidating Regulation of Manufactured Home Parks: Combining related responsibilities now held by the Department of Health and a separate Manufactured Homes Commission under the authority of the Commission will improve oversight and free up funds for the Department of Health to meet other critical needs.

BETTER SERVICES, BETTER OPERATIONS, BETTER VALUE

The MEP recommends a large number of program improvements and updates to help state agencies provide better services to Ohioans who need them and better value to taxpayers. Highlights include:

- Improving Services for Ohio Veterans: The MEP provides funding for a comprehensive study of the state veterans' services system that is designed to better connect Ohio veterans to the state and federal services they deserve.
- Aligning Assisted Living Eligibility Requirements: By eliminating residency requirements for eligibility in the Home First program, this provision corresponds with similar changes to assisted living waiver requirements made in HB 153.
- Helping Counties Better Manage Community-Based Programs for Juvenile Offenders: Improving formulas for determining how the Department of Youth Services distributes funding to Ohio counties through its RECLAIM Ohio program will provide more stability and predictability for local planning efforts.

- Strengthening Protections for Ohioans Receiving Home- and Community-Based Health-Care Services: Current laws for criminal background checks and past convictions for home health care workers are inconsistent, making it possible for dangerous criminals to potentially work with vulnerable Ohioans who receive health care at home from private contractors or who are driven to and from medical appointments by private medical transport contractors. The MEP resolves gaps and inconsistencies to create tough, uniform standards that will protect vulnerable Ohioans.
- Making it Easier for State Agencies to Communicate with Ohioans: The MEP tears down several barriers in order to make it easier for state agencies to communicate electronically with Ohioans, instead of current outdated and more costly methods.
- Faster Property Tax Appeals: The MEP establishes a Tax Appeal Backlog Assistance Program in the Department of Taxation to help reduce the growing backlog of cases at the Board of Tax Appeals that involve rulings from county boards of revision. In addition, a Small Claims Division will be established to help speed resolution of less complex appeals. Resolving cases more quickly means taxpayers or local governments receive the funds they are owed more quickly.

BETTER HEALTH SYSTEM PERFORMANCE

Targeted improvements in Ohio’s health and human services programs build on the major reforms of the Jobs Budget to enhance program performance, create better health outcomes for individuals and provide employers with a healthier workforce.

- Pay for Performance—Promoting Better Health Outcomes for Ohioans: The Administration worked closely with hospitals when writing the Jobs Budget to adopt payment reforms for Medicaid inpatient hospital reimbursement. The MEP will expand this effort by linking some of the funds in the hospital reimbursement pool to meeting or exceeding new quality benchmarks. This pay-for-performance initiative will ensure that available funds are distributed to hospitals and promote better health outcomes for individuals in hospital settings.
- Targeting Regional "Hot Spots"—Investing in Most-Needed Mental Health Services: The Ohio Department of Mental Health has initiated a new funding approach that targets “hot spots” in the system and rewards local innovation and collaboration. The MEP allocates \$3 million in additional resources to fund community mental health services that will create better outcomes for high-cost and difficult-to-serve populations. The new process has garnered support of advocates representing consumers and families.
- Enhancing Statewide Data Sharing—Tearing Down Walls Between Agencies: Current law requires the state agencies that administer health and human services to enter into cumbersome agreements just to share basic data that is needed to inform decisions and implement program improvements. The MEP will authorize the sharing of data, personnel, funding, and other operating resources among designated state agencies in support of cross-agency work for health transformation purposes. The language will facilitate the seamless and efficient implementation of health transformation activities.
- Simplifying Eligibility Determination Systems: Current eligibility processes for health and human services in Ohio are fragmented, overly complex and rely on outdated technology, resulting in duplication, inefficiency and excessive cost for state and local governments. The MEP language extends the authority granted in the Jobs Budget to simplify Medicaid eligibility systems to federal entitlement programs other than Medicaid.

COST-SAVING TOOLS FOR LOCAL GOVERNMENTS AND SCHOOLS

The MBR process has identified additional solutions and tools that allow Ohio’s local governments and schools to reduce costs, achieve efficiencies and continue transforming the way they provide services – a process that began with passage of HB 153 in 2011. [See separate fact sheet]

BOTTOM LINE: Ohio and its state government have urgent needs than cannot wait for the next biennial budget cycle in 2013. The MEP accelerates Governor Kasich’s reform agenda by helping state and local governments streamline their operations, reduce costs and improve delivery of services for Ohio taxpayers.

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