

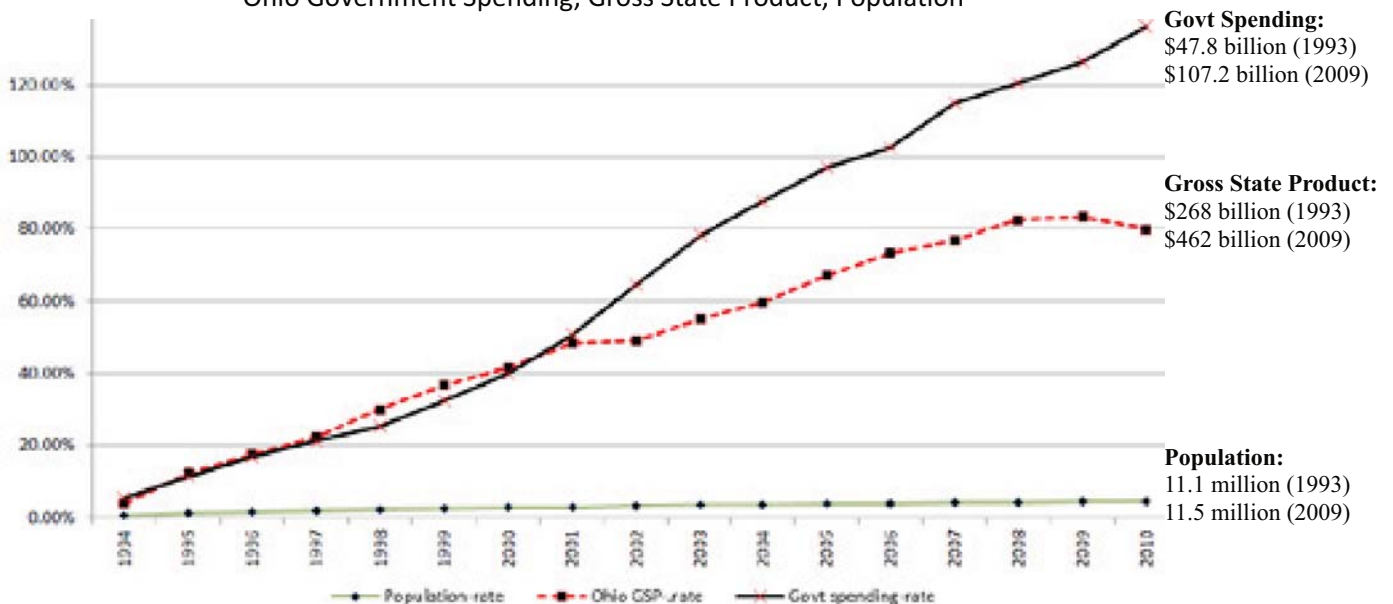
Executive Summary and Highlighted Recommendations

“Ohio’s individual cities and townships have taken on expenses that are unsustainable, and the state’s ability to assist them is limited. Regional approaches to collaboration and coordination are necessary to preserve services to Ohioans and achieve affordability” – Recommendations for Redevelopment and Smart Growth in Ohio, Compact with Ohio Cities Task Force, 2010

With government in Ohio growing faster than the economy, and experiencing increasing public demand for services, the need to identify efficiencies has become urgent. In separate studies, the Ohio and Regional Chambers of Commerce, the Compact with Ohio Cities Task Force and the Commission on Local Government Reform each pointed to the state’s fragmented service delivery system and recommended further pursuit of shared services to create these efficiencies and improve service delivery.

The plan presented here is based on similar research and conversations as earlier studies and comes to the same conclusion. It has also used a survey of government entities and leadership to assess the current status of shared services in Ohio. Results of this study were then used to identify new or expanded opportunities for shared services, along with an action plan for legislators, local leaders and stakeholder organizations whose active support is essential to this effort. The result is ten specific recommendations, several of which are highlighted in this summary.

Cumulative Growth Rates 1993 to 2009
Ohio Government Spending, Gross State Product, Population



To understand the need for shared services, it was necessary to first identify the problem. As shown in the chart above, the U.S. Census Bureau reported that total government spending in Ohio was \$47.8 billion in 1993 and had grown to \$107.2 billion in 2009, far outpacing growth in Ohio's population and gross state product.

Public services in Ohio are provided by more than 3,900 units of local government and public education, which are governed by more than 20,000 elected officials.

Federal, state and local governments, including schools, employ more than 780,000 Ohioans – fully 13 percent of the state's total workforce in 2011. The size and fragmented nature of Ohio's governmental structure creates inherent inefficiencies in service delivery to citizens and back-office functions. These inefficiencies make it more difficult for citizens and businesses to interact with government.

The solution is not to just perpetuate these inefficiencies with new or increased sources of revenue. In a state with a very high tax burden already – and just recently recovering from an \$7.7 billion state budget shortfall – now is not the time to raise taxes. Rather, it is the time for state and local leaders to think creatively, challenge the status quo and find new ways to deliver services at the same or reduced costs.

Shared services is a collaborative strategy designed to optimize public resources – including staff, equipment and facilities – across jurisdictions. Because of its repeatedly demonstrated effectiveness in reducing costs, improving service and increasing efficiencies, shared services approaches have been gaining support among policy makers.

To help address these challenges, the twin goals of this Shared Services Plan are to create recommendations for integration of services into a shared services model for local governments and schools, and to recommend educational support organizations be integrated into the regional shared service center system. The expansion will:

- Secure the most efficient government services for Ohio taxpayers;
- Create greater accountability and transparency of government costs and potential savings, so that current or potential job creators see that Ohio is serious about running a highly efficient government;
- Make Ohio a leader in providing shared services and in breaking down intergovernmental barriers to efficiency.

*“The per capita cost of government in Northeast Ohio rose nearly 70 percent between 1992 and 2002, more than twice the rate of inflation for the Midwest (29 percent). Data from the 2007 government census shows the rate of growth continuing, with close to \$20 billion, almost 15 percent of our region's total economy, being spent on government. That's up from \$16 billion, or 10 percent in 2002. Of the regions studied by CGR, the two with the highest governmental expenditures – the Minneapolis-St. Paul region and Northeast Ohio – also had the greatest number of governmental units.” – *A Cost of Government Study for Northeast Ohio*, Center for Governmental Research, 2008.*

Highlighted Recommendations

The following recommendations are highlights of six of the ten recommendations found in the main body of *Beyond Boundaries*. These six were selected for this summary because they provide the foundation upon which the other recommendations are based and are key state actions required to facilitate the use of shared services in Ohio.

Sharing Services Should Be Simple

Through the Jobs Budget (Am. Sub. H.B. 153), the State's operating budget for fiscal years 2012 and 2013, a new section of Ohio Revised Code was created to clearly allow intergovernmental shared services. Section 9.482 of the Ohio Revised Code allows any local government or school in Ohio to enter into an agreement with another political subdivision to provide a service.

Too often in the past, new regional councils of government or other additional bureaucracies were formed for the purpose of implementing shared services and other forms of cross-jurisdictional cooperation. With the creation of section 9.482, draft agreements – often in the form of memorandums of understanding or simple contracts – are now in development for local government officials to use as templates to more easily complete shared services projects.

RECOMMENDATION: Local governments and school systems should use this new tool [section 9.482] to sign simple agreements to execute a shared services arrangement. (page 11)

Creating a Network of Regional Shared Services Centers

Today, the education community is served by 55 educational service centers (ESCs), 22 information technology centers (ITCs) and eight education technology centers (ETCs) that, together, have more than 13,000 employees and a combined annual budget in excess of \$1.2 billion. Together, they have the experience and capacity to efficiently deliver extensive shared services offerings. These centers are the logical starting place for the regional provision of shared services for schools and local governments in core areas of technology, administration and educational support. The survey, stakeholder meetings and research conducted during development of this plan confirmed the appropriateness and capacity of these centers to expand beyond their traditional customer base of schools.

“What the state has generally not done, is step back and redesign major systems and their governance and finance structures with a goal of improving program and policy effectiveness.” - Redesigning Ohio: Transforming Government into a 21st Century Institution, Ohio Chamber of Commerce, 2010.

The following recommendation builds upon the consolidation that began in Ohio almost 20 years ago, when there were 181 separate organizations providing regional support to schools. Since 1995, that number has been reduced to 85. The following recommendation and its resulting process will ensure further optimization of the network and delivery of quality services.

RECOMMENDATION: The State should make a thorough review of Ohio’s existing network of educational service, information technology and education technology centers and provide recommendations on the necessary structure and governance that will provide an integrated system of regional shared service centers (RSSC) using implementation strategies detailed in this plan. (page 14)

Applying Market Forces to Ensure Positive Results

Many of the existing ITCs and ESCs have formed councils of government to extend services offered or to include government and non-profit entities. H.B. 153 modified the Ohio Revised Code to provide clear authority for ESCs to directly enter into agreements and provide services to local governments in Ohio. Many of the services already offered by ESCs and ITCs fall in the shared services categories of administration, technology and instructional support. The results of the survey indicates how prevalent those services are used by schools and, in many cases, local governments in Ohio.

The required, or at least expected, standard offerings provided through regional shared service centers can be more fully developed through the review process proposed. Once fully developed, identified services can then be the foundation for competitive funding awarded by the Ohio Department of Education and the starting point for contracted services by local governments and schools.

RECOMMENDATION: Apply additional market forces to encourage the use of shared services and ensure the quality of services provided by:

- Reviewing the remaining direct state funding for ESCs and ITCs to define which funds can move from a subsidy payment to competitive bidding for services through the FY 14-15 budget process;
 - Establishing benchmarks for performance and review process prior to contract renewal for purchased services. (page 17)
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Keeping the Momentum of Shared Services

The survey indicated that shared purchasing is currently the most common shared services activity in Ohio. However, the concept is loosely coordinated and not fully utilized. There are dozens of established programs, vendor and government websites and points of contact that provide an overabundance of choices and decisions that can overwhelm purchasing officials. It was repeatedly noted in meetings that too many choices make any decision difficult. Saving money should not become a staff burden requiring extensive research, numerous web searches and multiple phone calls.

Local governments and schools have just begun to pursue shared staffing, shared space and other shared administrative functions, but the list of examples is slowly growing and savings are being verified in this area. Templates and access to examples of successful collaboration will help get initiatives started and catalyze the use of shared services in Ohio. In stakeholder meetings and survey responses, local government and school leaders have asked for additional tools like a database of collaboration examples, sample agreements, and savings estimates to help them expand the use of shared services.

RECOMMENDATION: The State should continue developing tools to assist local governments and schools in implementing collaboration and shared services. The State should support information portals related to shared services. (page 19)

- The Auditor of State's Skinny Ohio.org should be expanded to serve as an Online Clearinghouse of information, sample materials and tools that aid in determining when savings may exist through shared services.
- The Department of Administrative Services should develop an Online Portal of services and products available through existing shared purchasing programs and/or state contracts.

RECOMMENDATION: The State should develop benchmarks for spending and/or financial reporting that provide public transparency around cost effectiveness and create the capacity for state reporting necessary to evaluate performance and cost effectiveness. (page 21)

- The State should create "triggers" encouraging the use of shared services by districts and/or local governments designated to be in fiscal distress or those with substantial performance audit recommendations.
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Following the Shared Services Model

The Shared Services Survey provides baseline data on existing shared services arrangements and identifies future shared services opportunities. Survey responses from 1,789 local governments and school systems indicated that they have begun to utilize shared services, but not to an extent that permits them to realize significant savings or to make substantive improvements in service delivery. That said, a number of exciting shared services examples and promising practices have been identified.

During development of this Shared Services Plan, excellent examples of successful collaboration were found. The term *shared services model* is used to describe the components that support successful collaboration programs or determining optimum service levels for collaboration. This model was used within the development of this plan to identify existing programs and promising practices that are scalable or have existing capacity through which additional schools and local governments can participate.

RECOMMENDATION: The Shared Services Model should be used by state and local leaders to determine opportunities for shared services and the optimum manner for individual entities to join together for the provision of a specific shared service. (page 25)

Some of the promising practices and examples identified through application of the Shared Service Model include:

- The Management Council of the Ohio Education Computer Network estimates that regional coordination of shared technology services, along with development of regional datacenters and shared “cloud services” could yield at least \$91 million in accumulated savings over the next five years.
- A 2010 study by RCC Consultants indicates that utilizing MARCS (Multi-Agency Radio Communication System) at a statewide level through coordination of a “system of systems” could yield over \$500 million in savings to ongoing capital and operating expenses for the state and local governments between now and 2020.
- A study by the Mercer Group indicated potential savings from pooling healthcare insurance purchases among Ohio school districts and institutions of higher education could result in savings of up to \$318 million, or about six percent in costs, over a two-year period.

One important factor should be mentioned early in this plan. More than technology, processes, laws or policies, *people and their way of thinking* have to change. The way governments do business needs to evolve with changing times and must be brought up to modern efficiencies. The private sector has made process improvements a priority for decades. Now is the time for governments to put aside “the way it has always been done” and make way at long last for better, more modern and cost-effective alternatives.

We know the steps – and the mind-set – needed to make progress: working across boundaries schools and communities must set aside differences and acknowledge that another operation does something better. Both are necessary to ensure a bright and prosperous future for Ohio. Assuring that future will require strong, concerted leadership in the present.

One guiding principle behind the recommendations in this report is seeking out “centers of excellence” and/or “leading providers” to serve as examples for the most efficient expansion of the shared services concept across Ohio. An important element to success will be the development of a public sector marketplace among shared services providers, supported by informed local government decision makers. Through creativity, innovation, and choice the shared services concept will lead to continuous improvement, not just substituting one way of doing things for another. By sharing services, we are being smart with taxpayer monies thus saving funds that can be used elsewhere. Sharing services is fundamentally a matter of sharing savings.

Three important steps are necessary for this effort to succeed. First, the administration and legislature must continue making the statutory and policy changes needed to expedite the use of shared services across Ohio. Second, information and tools are needed by local leaders to realize the shared services opportunities available to them. Local leaders need state-level comparable data to help them determine where shared services opportunities make sense. Third, local leaders have to take immediate, broad action. This requires leadership and vision from all. The overriding objective of this plan is to provide leaders a roadmap for taking these next steps.

“The Commission, as a whole, concluded from testimony and research that the citizens of Ohio, in numerous cases, already enjoy some of the benefits of collaboration currently permissible under current law. It also determined, however, that in many cases, it wasn’t the ‘rules of the game’ that inhibited cost-saving collaboration, but rather the ‘players in the game.’” – Building a Better Ohio: Creating Collaboration in Governance, Ohio Commission on Local Government Reform and Collaboration, 2010.
