

## **Executive Order 2009 – 07S**

### **Implementing Additional Spending Control Strategies**

- 1. 1. Ohio Has Taken Vigorous Steps to Reduce State Spending.** The current state budget was the lowest growth state budget in 42 years, and since its enactment, Ohio's government has been significantly reduced, both through proactive efficiency initiatives and in response to declining revenues. In February, September and December 2008, the State implemented budget adjustment plans totaling \$1.9 billion for the biennium. Those actions included spending reductions, programmatic cuts and the closure of state institutions. The state workforce has been reduced from 63,568 employees in March 2007 to 59,950 employees as of April 15, 2009. And current state employees are preparing to take 10 unpaid furlough days.
- 2. 2. Ohio's State Government Must Continue to Manage Tax Dollars Prudently, Especially in These Difficult Economic Times.** As Fiscal Year 2009 draws to its close, and while the upcoming biennial budget is on the horizon, the State must continue its commitment to prudent and responsible financial management to ensure that the state government has the ability to meet critical current and future financial obligations and conclude the Fiscal Year with Ohio's budget in balance.
- 3. 3. Economic Forecasts Show that State Revenues Will Continue to Decline.** Recent economic forecasts suggest that the State's anticipated revenues will continue to fall, requiring the expansion of the spending control strategies required by Executive Order 2008-01S.
- 4. 4. Legal Authority of the Governor Regarding Oversight of State Expenditures.** The Ohio Constitution and laws charge the Governor with exercising

supervision and control over the State's expenditures to assure that the State's expenditures do not exceed revenues.

5. **5. Reducing Expenditures While Preserving Critical Services.** In order to assure that the State maintains a balanced budget while continuing to provide vital services to Ohioans, the State must immediately implement further spending controls throughout the remainder of Fiscal Year 2009 and for Fiscal Years 2010 and 2011. In particular, the State must immediately limit general fund expenditures to those necessary to the provision of services critical to the health, safety, or welfare of Ohio's citizens, which create or retain jobs for Ohioans or which provide revenue or savings to the State, maximizing the State's ability to provide services to Ohioans. The Director of the Department of Administrative Services (DAS Director) and the Director of the Department of the Office of Budget and Management (OBM Director) are expressly authorized to issue guidance and directives necessary to the implementation of this Order.
6. **6. Definition of Critical Services.** For the purposes of this Order, expenditures will be considered critical to the health, safety, or welfare of Ohio's citizens if their deferral or cancellation will (1) put the health, safety, or welfare of citizens immediately at risk, (2) undermine activity aimed at creating or retaining jobs, or (3) interfere with the receipt of revenue to the State or the realization of savings by the State. Expenditures will not be deemed critical to the health, safety, or welfare of Ohio's citizens if their deferral or cancellation will only result in inconvenience or sustainable delay, or will otherwise similarly compromise the normal provision of government-funded services. Those uncertain about whether services should be deemed critical to the health, safety, or welfare of Ohio's citizens should obtain a determination from the DAS Director, in consultation with the OBM Director.
7. **7. Additional Mandatory Spending Control Strategies for Fiscal Year 2009.** In furtherance of my obligations under the laws and Constitution of the State of Ohio, I hereby order all Cabinet Agencies and Boards and Commissions (all Executive Agencies) to immediately implement the following spending control strategies, including any further specifications regarding them provided in Policy Directives issued by the OBM Director or the DAS Director for the remainder of Fiscal Year 2009.
  - a. **a. Reduce Contracting Expenses.** All Executive Agencies shall reduce contracting expenses in the manner detailed below.
    - i. By 5:00 p.m. on Monday, April 27, 2009, all Executive Agencies shall have issued notices to all contract vendors paid from general revenue funds, except those making expenditures critical to the health, safety, or welfare of Ohio's citizens, to immediately suspend further work under those contracts. All such work shall be suspended until at least July 1, 2009.

- ii. By 5:00 p.m. on Monday, April 27, 2009, all Executive Agencies shall provide the DAS Director with a list of all contracts which they have deemed critical to the health, safety, or welfare of Ohio citizens.
  - iii. By 5:00 p.m. on May 11, 2009, all vendors who have had contract work suspended pursuant to section 7(a)(i) of this Order must submit an invoice for all work performed under the contract to the contracting Executive Agency.
  - iv. By 5:00 p.m. on May 25, 2009, the Executive Agency must submit its request for payments for all such work.
- b. Limit Procurement. All Executive Agencies shall reduce procurement expenses in the manner detailed below.
- i. Effective immediately, all Executive Agencies are directed to stop purchasing additional services or supplies with general revenue funds. Under limited circumstances, if the Executive Agency's Director determines that a prospective expenditure is critical to the health, safety, or welfare of Ohio's citizens, and the DAS Director agrees with that determination, the purchase may proceed.
  - ii. All requested expenditures for services or supplies with general revenue funds currently pending with DAS awaiting a "release and permit" or otherwise awaiting authorization to proceed, shall be given such authorization only if the Executive Agency's Director determines that a prospective expenditure is critical to the health, safety, or welfare of Ohio's citizens, and the DAS Director agrees with that determination. All other such requests awaiting authorization to proceed shall be considered denied.
  - iii. Notice of all purchases authorized under section 7(b)(i) and (ii) of this Order shall be posted on the DAS website weekly.
  - iv. Additional Purchase Review and Approval. 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.
- c. Reevaluate All Travel Expenses and Reduce Mileage Reimbursement. All Executive Agencies are directed to reevaluate all travel requests in order to strictly comply with OBM's travel directive dated January 31, 2008, which required Executive Agencies to control nonessential travel expenses. In addition, the OBM Director shall reduce

the mileage reimbursement rate for all Executive Agencies to 45 cents per mile, effective May 1, 2009, for all exempt personnel statewide.

- d. Maintain and Effectuate Other Spending Controls. All Executive Agencies shall participate in other spending controls detailed below.
  - i. From May 1, 2009 until June 30, 2009, the Directors of OBM and DAS shall suspend charges to Executive Agencies for central services they provide to them whenever doing so will not undermine the provision of key services critical to those Agencies.
  - ii. All Executive Agencies shall continue to operate within the hiring control policy limiting state payroll expenditures developed under Executive Order 2008-01S. Where greater savings can be found through the reduction in overtime costs by hiring additional staff, Executive Agencies shall submit their review and analysis to the OBM Director for review of proposed hires in accordance with the hiring control policy.
- e. By May 10, 2009, the OBM Director shall conduct an analysis and report to me regarding savings which she expects the State will realize by implementing tighter spending controls as outlined above over the course of the remainder of Fiscal Year 2009. The OBM Director shall provide guidance to all Executive Agencies regarding when and what information she needs in order to prepare this report.

**8. Additional Mandatory Spending Control Strategies for Fiscal Years 2010 and 2011.** I also order, in furtherance of my constitutional and statutory obligations, all Executive Agencies to implement immediately the following spending control strategies, including any further specifications regarding them provided in Policy Directives issued by the OBM Director or the DAS Director for the Fiscal Years 2010 and 2011.

- a. Spending Plans. By May 31, 2009, Executive Agencies shall submit to the OBM Director spending plans for contracted services and supplies using all of the tools described below to achieve a 30% overall reduction in such spending for Fiscal Years 2010 and 2011. While the use of some of the strategies below will be at the discretion of the Executive Agencies in the efforts to reach the 30% savings objective, others are required by this Order. Each spending plan should address the potential savings which could be realized by each of the strategies below, even if an agency determines that one or more of the discretionary strategies will not play a role in its spending plan, and should also address the consequences associated with the spending reductions addressed in the plan. After the submission of the spending plans, the OBM Director will issue guidance,

pursuant to this Order, directing each Executive Agency to implement all or appropriate parts of its plan.

- b. Reduce Contracting and Procurement Expenses. All Executive Agencies shall participate in contracting and procurement reform and strategic sourcing efforts in Fiscal Years 2010 and 2011.
  - i. Continue Purchase Review and Approval. 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.
  - ii. Contract Renegotiation. Executive Agency Directors may, whenever it is legally permissible to do so, renegotiate contracts (i.e., reduce hourly rates, reduce scope, eliminate or defer deliverables) entered into prior to July 1, 2009. In this time when the State is struggling to maintain services critical to the health, safety, and welfare of Ohio's citizens, the willingness of a vendor to negotiate a 15% or greater reduction in a contract's financial terms, while maintaining substantial equivalency of other terms, will be considered in the contract renewal decision.
  - iii. Rebid Rather Than Renew. When any contract critical to the health, safety, or welfare of Ohio's citizens may only be renewed without renegotiation, Executive Agency Directors shall allow the contract to expire and rebid the contract, unless the Agency Director determines that the costs would likely increase under a new contract. The DAS Director shall provide assistance to Agency Directors in determining whether to rebid or renew a contract, but no contract shall be renewed over the objection of the DAS Director.
  - iv. Reduce Contract Encumbrances. 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.
  - v. Purchasing Standardization and Strategic Sourcing Spending Controls. 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. All Executive Agency Directors are directed to comply with Purchasing Standardization and Strategic Sourcing Policy Directives issued by the DAS Director. These directives may require agencies to forgo

brand preferences, certain features of a product or service, packaging preferences, or delivery conveniences for spending reductions which can be achieved.

- vi. In-sourcing Preferred. Prior to entering into any contract for outsourced services, all Executive Agencies are directed to investigate thoroughly whether the required services can be provided by state employees in the most cost-effective manner.
  - vii. Equipment and Furniture Purchases. In order to reduce the costs of equipment and furniture purchased by Executive Agencies, all equipment purchases by Executive Agencies shall continue to be made in strict compliance with the OBM Control on Equipment Directive, dated January 31, 2008. In addition, that Directive shall be revised by the OBM Director to include all furniture purchases and the revised Directive shall be similarly observed by all Executive Agencies.
- c. Travel Expense Reductions. In order to reduce travel expenses, the following spending control strategies shall be implemented.
- i. All Executive Agencies are directed to continue to comply strictly with OBM's travel directive dated January 31, 2008, which required Executive Agencies to control nonessential travel expenses.
  - ii. The OBM Director shall reduce the mileage reimbursement rate for all Executive Agencies to 45 cents per mile, effective October 1, 2009, for all bargaining unit employees.
  - iii. All Executive Agencies shall, when it becomes available, use the online travel authorization and expense reimbursement process which will require employees to enter the necessary information directly into OAKS.
  - iv. All Executive Agencies are further directed to conduct necessary meetings concerning the business of the State, whenever possible, using conference calls, teleconferences, webinars or other technology tools which will preclude the need for state employees to travel by automobile to participate in the meeting. Except in truly unusual circumstances, Executive Agencies should permit, and provide the facilities necessary for, state employees to participate in any "in-person" meeting by telephone if it will avoid automobile travel. Nothing in the section shall be deemed to limit travel necessary to meet the obligations of a public body under Ohio's Open Meetings law.

- v. All Executive Agency employees are directed to 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. Agencies shall monitor and prevent mileage reimbursement expenses for travel by any employee in excess of 4,000 miles over the course of one year. No Executive Agency employee is authorized to engage in reimbursable travel of more than 4,000 miles over the course of a year. The Director of OBM shall not reimburse any Executive Agency employee for unauthorized travel.
- d. Printing and Mailing. In order to reduce printing and mailing expenses, the following spending control strategies shall be implemented.
  - i. All Executive Agencies shall use the free DAS interoffice mail service for all mail deliveries to other Executive Agencies in central Ohio.
  - ii. 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. By May 31, 2009, the DAS Director shall provide a report to me regarding cost savings that he believes can be realized through this consolidation.
- e. Information Technology Expense Reductions.
  - i. All Executive Agencies shall participate fully information technology (IT) consolidation projects, beginning with email systems and followed by server consolidation.
  - ii. The State Chief Information Officer (CIO) shall establish policies, standards, and services which reduce the cost of IT for state government with which Executive Agencies shall comply, including, but not limited to:
    - a. a. The adoption of common hardware, software, services, and security;
    - b. b. The reduction in use of blackberries and other mobile and handheld computing and telecommunications devices which cannot be appropriately justified;

- c. c. The delay in acquisition of new IT systems or projects and the extension of the service life of IT systems where practicable;
    - d. d. The reduction in computer printing and increased use of electronic records; and,
    - e. e. The reduction of energy consumed by IT within state government.
  - iii. At the direction of DAS, Executive Agencies shall maintain and update a list of IT assets and associated costs in a format specified by DAS.
  - iv. The DAS Director shall establish a State IT Investment Board, comprised of administration, OBM and agency representatives to identify and recommend to him other opportunities for consolidation and cost-savings, and to approve or reject compelling requests for exceptions to this order and OBM spending controls.
  - f. Employee Parking Expenses. All Executive Agencies shall include in their spending plans an analysis of potential cost savings which could be realized through reduction in parking expenses, including parking expenses for purchased and lease-included spaces for individual employees, spaces 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.
9. **Monitoring and Improving this Order.** The Directors of OBM and DAS shall monitor the implementation of this Order and provide quarterly reports to me beginning on July 30, 2009, regarding its effectiveness. In addition, they may, at any time, provide suggestions to me about unintended consequences of this Order which may be addressed in a subsequent Executive Order or which may be addressed, after consultation with me, through written guidance produced by either of them.
10. I signed this Executive Order on April 22, 2009 in Columbus, Ohio and it will expire on my last day as Governor of Ohio unless rescinded before then.

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Ted Strickland, Governor

**ATTEST:**

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Jennifer Brunner, Secretary of State