

CONTROLLING BOARD

OHIO OFFICE OF BUDGET AND MANAGEMENT

MINUTES OF THE JUNE 2, 2003 MEETING

President, Lisa Dodge, called the Controlling Board meeting to order at 1:55 p.m. Serving on the Controlling Board were Senator Bill Harris, Representative Charles Calvert, Senator James Carnes, Representative James Hoops, Senator Robert Hagan and Representative Sylvester Patton.

Executive Secretary, Vanessa Niekamp, distributed the minutes of the May 19, 2003, meeting. A motion to approve the minutes was made by Senator Harris, seconded by Representative Calvert and approved by the Board members.

Representative Patton said he wished to be on record with his concern that with 204 items on the agenda that it is difficult to thoroughly review all the requests.

Attached is the June 2, 2003, meeting agenda. President Dodge said the following items were deferred: No. 66, DAS324; No. 71, AGE015; No. 73, ADA032; No. 75, AFC019, and No. 174, DHS640. Also, there was a revision in the amount for Item No. 81, OSD040 which was changed from \$98,000.00 to \$102,837.50. A motion for blanket approval of all items not held for questions was made by Representative Calvert, seconded by Senator Harris and approved by all Board members.

The following items were discussed and acted upon as stated:

Item 1, AG0228-03 was held by Senator Hagan. Senator Hagan asked why the agency is paying two separate fees to Partners and Associates. Matt Cox, Special Counsel, said that firms are selected on their expertise/manpower and that often times a larger firm will not accept a case at \$125 an hour. Senator Hagan asked if the total cost would be \$300 an hour if you add both the associate and the partner. Mr. Cox said it would be one specific hour of work from an associate at \$125 and one hour from a partner at \$175. Senator Hagan asked if it should be a part of the bidding process that the full partner must be in the courtroom doing the work instead of allowing the firm to pay both the associate and the partner. Mr. Cox said that could be a requirement but he felt that a firm wouldn't accept the work and that it would be better to pay a partner \$175 for two hours of work than to pay an associate \$125 who might do it in five hours. Senator Hagan said that because of the present budget crisis he would like the Attorney General's Office to try to negotiate a better rate. Mr. Cox said that he would take Senator Hagan's sentiments back to the Attorney General. The item was approved with Senator Hagan objecting.

Item 80, OBM309-03 and Item 142, JFS138-03 was held by Representative Patton. Representative Patton asked how much of the \$146.9 million from the Budget Stabilization Fund will be used for Medicaid by the end of this fiscal year. Tim Keen, Assistant Director of OBM, said the request would allow an increase in appropriation authority by \$149.0 million in state share in the requisite matching amount, which provides for a total of \$363.0 million. Representative Patton asked if the state would lose interest by taking the money out of the BSF now instead of two weeks later. Mr. Keen said the money would not be withdrawn until it was absolutely necessary. The items were approved without objection.

Item 8, MUN037-03 was held by Senator Hagan. Senator Hagan asked why only the bid from the vendor selected was part of the request but five bids were received. Mr. Robert Keller, University Architect, said the bid sheet, showing an itemization of each bid, should have been included with the request. Senator Hagan asked why such an exorbitant amount was paid for the items when they could

CONTROLLING BOARD

OHIO OFFICE OF BUDGET AND MANAGEMENT

be purchased cheaper elsewhere. Mr. Keller said they had to consider the maintenance and durability of the items and that in the long run it justifies the higher initial cost. The item was approved without objection.

Item 13, OSU831-03 was held by Representative Calvert. Representative Calvert asked if this property was currently being rented by students and faculty. Judy Nodjak, representing the Real Estate and Property Management Division, said the units were presently being rented by students. Representative Calvert asked if there would be real estate taxes generated for the city of Columbus with the purchase of this property. Ms. Nodjak said the university would ask for tax exemption as they are entitled to under state law. The item was approved with Representative Calvert objecting.

Items 18-69, DAS were held by Senator Harris. Senator Harris asked if the department was still planning to collect the lease fees. Marcey Earley Jeter of DAS Real Estate said DAS has sent out notification to all property owners rescinding the request to collect a commission for FY04-05. Senator Harris asked if DAS would attempt to collect these commissions anytime during the period 04-05. Ms. Jeter indicated DAS would not impose a lease renewal fee for FY04-05 leases.

Item 43, DAS 297 was held by Representative Hoops. Representative Hoops asked why the Lottery Commission rent had been increased by 3% but Job and Family Services' had remained the same and it was the same owner. Ms. Jeter said the Lottery Commission lease was renewed at a renegotiated rate with a 3% increase and the Job and Family Services lease was placed on holdover at the existing rate. Senator Hagan asked if DAS was trying to renegotiate these leases at zero percent in light of the state's financial difficulties. Ms. Jeter said DAS has made an attempt to renegotiate the leases and has saved state agencies \$3.9 million in lease negotiations for the next biennium. Some leases have been renegotiated at 0% or reduced substantially. Items 18 through 69 were approved without objection.

Item 70, DAS328-0405 was held by Representative Calvert. Representative Calvert asked why the agency was negotiating a 4.7% growth in 2005-09. Nancy Isom, Computer Services Division, said there is a direct correlation in the configuration that Sun Guard will provide in terms of growth for each of those years. Sun Guard will provide increased mainframe and disc capacity to meet the state's needs in the event of a disaster. The item was approved with no objections.

Item 74, AMBO01-03 was held by Senator Harris. Because Senator Harris was called to another meeting, President Dodge stated that Senator Carnes would ask the questions in his place. Senator Carnes asked why the Board was seeking an increase in appropriation of \$170,000 this late in the fiscal year. Ronald Grout, Executive Director, said that since he became director of the board his concern has been to move the office forward technologically and that OBM had advised him to wait before coming to the Board with his request. Representative Patton asked if this was a way of getting something done that wasn't in the budget. Mr. Grout said that he had been looking closely at the Board funding and believed that it had reached the point where there were enough reserve dollars that the Board could pull from the funds to pay for this request. The item was approved with no objections.

Item 76, AFC026-0405 was held by Representative Calvert. Representative Calvert noted the second paragraph on the second page of the request stated that the renewal options included an escalating rate schedule reflecting a cost-of-living increase and that going from \$12.75 to \$17.40 was a 36.5% increase. Representative Calvert asked how the Commission can reconcile a cost-of-living increase with a 36.5% increase. Dave Gruber, Finance Director, said the renewal rates were from the original lease and the Commission didn't renegotiate the current two-year renewal that we're asking about to a zero percent increase. Therefore, from the current renewal rate schedule on the existing lease, the two

CONTROLLING BOARD

OHIO OFFICE OF BUDGET AND MANAGEMENT

year renewal that we're now talking about was decreased, therefore making the jump look bigger from the next biennium to 06-07. Representative Calvert said that even if you had zero for this renewal period that means in four years we went up 36.5%, still far in excess of a cost-of-living increase. Mr. Gruber said their position is that the Commission would renegotiate much as we did this current period to renegotiate at a better rate. Representative Calvert asked if the Board approves this today, and they don't renegotiate, can they enter into a contract at \$17.40. President Dodge said they would need to come back to the Board. The item was approved with no objections.

Item 78, OBM307-0405 was held by Senator Carnes. Senator Carnes asked what type of fiscal and administrative oversight the state has on these credit cards. Erik Bower, Statewide Payment Card Coordinator, said each agency that creates a payment card program submits a plan to OBM which designates who is going to do what with these credit cards. Agencies usually have a separate supervisor who reviews transactions on a weekly basis. There is a separate payer who will process that transaction in our central accounting system and also a reconciler who will be reconciling the account. OBM reviews the transactions on a monthly basis, reviewing a photocopy of the logs and receipts. An OBM audit team reviews the transaction to make sure they are appropriate and are processed in a timely manner. Representative Calvert asked why an Ohio bank was not selected for this contract. Mr. Bower said that 397 letters were sent to banks and credit card institutions and the RFP was placed on the OBM Web site. It was felt the Bank of America was the strongest bank of the 12 proposals received. Representative Calvert asked if based upon this contract there is any money coming back from this bank to the state of Ohio. Mr. Bower said that OBM does receive a yearly rebate check based upon the amount that has been purchased with these credit cards. The item was approved with no objections. Items 82 through 124, Development. Senator Carnes asked why 43 items were on the agenda at the end of the year. Tom Johnston, Chief Fiscal Officer, said it is unusual to have 43 items on one agenda and in most cases Development has been working with companies or communities for months and in some unique cases for years. At the end of the fiscal year they call clients and ask them to respond to the outstanding projects. A slump in the economy has been one of the factors in the delay.

Item 82, DEV 314 was held by Representative Calvert. Representative Calvert asked why if 55 jobs were being created and 215 were being retained over a three-year period the job creation was for 3 years and the tax credit for 8 years. Tom Johnston, Chief Fiscal Officer, said that basically all of the job creation and retention requirements are based on a three-year criteria. The job creation tax credit program has a commission that evaluates proposals and establishes the number of years and the percentage of credit that they will award to a company for the creation of 25 or more full time jobs. Representative Calvert said the amount of the bond is 80% of the project cost and asked if that is high. Mr. Johnston said it is within the statutory requirements and is appropriate.

Items 102-107 were held by Representative Hoops. Representative Hoops asked why the funding for these projects is coming through the Department of Development and not through the Department of Transportation. Tom Johnston, Chief Fiscal Officer, said Transportation is putting money in this project, along with the federal government and Development and the main reason Development is involved is because of the companies in the area of the interchange and the congestion due to truck traffic. Development felt it was important to alleviate safety concerns as well as congestion and allow for further development of vacant land in the area of the interchange. Representative Hoops asked why the money could not have been taken out of the Transportation airport fund instead of Development. Mr. Johnston said he did not realize Transportation had an airport fund in the GRF until this item came up but that ODOT's funds are used for airport safety and maintaining runways.

Item 108, DEV509-03. Senator Hagan asked how Development could justify giving \$100,000 to Les Wexner, a millionaire. Tom Johnston, Chief Fiscal Officer, said The Limited is moving a facility from

CONTROLLING BOARD

OHIO OFFICE OF BUDGET AND MANAGEMENT

Andover, Massachusetts, to Ohio that will result in the creation of 51 high-paying jobs. Senator Hagan said he objects to these types of giveaways when studies indicate that these companies will invest anyway. He said he couldn't in good conscience watch 43 projects being approved and offered by the Department of Development right at the end of the fiscal year. President Dodge asked for clarification on the item that Senator Hagan was objecting to. Senator Hagan said he was objecting to Item 108. Representative Hoops asked if any of this money was going to an individual. Mr. Johnston said that it was going to Limited Technologies. Representative Hoops clarified the question. He meant any of the projects being considered. Mr. Johnston said that some of the money was going to communities. Representative Hoops asked if the items the Board approves will generate new jobs in Ohio which will generate new tax dollars. Mr. Johnston said that was correct. Items 82 through 124 were approved with Senator Hagan objecting to item 108, DEV509-03.

Item 133, DOH081-0405 was held by Senator Carnes. Senator Carnes asked why the Department of Health is examining groundwater quality and soil, water tables and septic system characteristics. Sean Keller, representing the Department of Health, said although this sounds like an EPA project, the nature of the project covers small systems called 1-2-3- dwellings and under the Administrative Code the jurisdiction lies with the Health Department. Senator Carnes asked that even though jurisdiction lies with the Health Department if Health has any coordination with EPA to make sure the departments aren't doing parallel tasks. Mr. Keller said the money for this grant comes from the Clean Water act which flows from the federal government through the EPA to the Health Department through an interagency agreement. EPA was well aware of the project. The item was approved with no objections. Item 158, DMR333-0405 was held by Representative Calvert. Representative Calvert said there were four parts to this personal service contract and he had no problem with three of them, but questioned the one for KS Medical for registered nurses secondary. The secondary contract has a 6.5% increase in the first year and a 21.2% increase in the second year. Representative Calvert asked how the department could justify those kinds of increases, especially in light of the negotiated amounts for the other three. Rick Weimer, representing DMR, said this year the department had difficulty getting nursing coverage and this was the first time they were going to do a primary and a secondary contract. The secondary contract was figured on a weekend rate since that is when the regular nurses fail to show for work. Representative Calvert expressed his concern that we have just negotiated a contract with state employees and they are not getting their step increases or cost-of-living increase for the next two years and here we have before us an increase in the rate for these particular nurses from \$31 currently to \$40. The item was approved with Representative Calvert objecting.

Item 159, DMR334-0405 held by Representative Calvert. Representative Calvert said he was going to withdraw his hold on the item.

Item 188, DRC421-04 was held by Senator Carnes. Senator Carnes asked how MHM Solutions, which is an out-of-state provider, will provide mental health services if they do not have a physical presence in Ohio. Kay Northrop, Deputy Director for Health Care, said they have advised the department they will be opening a branch in Ohio. Representative Calvert asked if they will be doing that in the immediate future. Ms. Northrop said she did not have an exact date but that was the assurance that was given when the department questioned them on the issue. The item was approved with no objections. Items 193, DRC427 -0405 and 194, DRC428-0405 were held by Senator Hagan. Senator Hagan asked if the department was convinced that it is more cost effective to have this private prison operated by a private entity rather than by a public entity. Greg Trout, Chief Legal Counsel, said they had developed a detailed fiscal model by which they compute a per diem cost for the identical operation at these prisons. Mr. Trout said the savings MTC brings to the table as compared with one of our publicly run facilities is 16.69%. Senator Hagan asked if there was an opportunity for the public employees to offer

CONTROLLING BOARD

OHIO OFFICE OF BUDGET AND MANAGEMENT

a proposal. Mr. Trout said they have the opportunity under the contract but he has not heard in this calendar year that they asked to make a proposal. Items 193 and 194 were approved with Senator Hagan and Representative Patton objecting.

Items DYS354-0405 and DYS356-0405 were held by Senator Carnes. Senator Carnes asked why these contracts were not with an in-state provider of health services. Ann Liotta, representing the Department of Youth Services, said when they originally did the contract process and looked for bidders, both in-state and out-of-state, for their private medical services at the Marion facility, they released the bidding process to approximately 1,100 vendors, using DAS' procurement system. The department did not find interest or ability of in-state vendors to deal with the needs for this facility. Senator Carnes asked if there are any providers in the state of Ohio. Ms. Liotta said they didn't get to that point with any interested vendors who were willing to provide this service. The items were approved with no objections.

With no further business before the board, the meeting was adjourned at 4:05 p.m.

Respectfully submitted,

Emily Sams
Controlling Board Secretary

06/02/02 Minutes approved by the Board:
