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Testimony Of

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“Why Federal Investments Matter: Stability from Congress to State Capitals”

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Chairman Yarmuth, Ranking Member Womack, and members of the Budget Committee, my name is Kimberly Murnieks, and I am Director of the Ohio Office of Budget and Management. I am honored to be with you today to discuss why federal investments in states, like Ohio, matter.

As Director, I serve as the Chief Financial Officer for the great state of Ohio under the leadership of Governor Mike DeWine, overseeing the office that develops, coordinates, and monitors the individual budgets of state agencies, provides the Governor and administration with policy analysis, and accounts for and reviews state financial transactions made with public funds.

The Federal-State Relationship and Our Economic Outlook

I would first like to express Ohio’s appreciation for this Committee’s work on the Bipartisan Budget Act of 2019, which provides stability and certainty for states regarding federal budget partnerships through September 30, 2020. Discretionary federal funding supports Ohio’s citizens in crucial areas including health, education, housing, public safety, community development, job training, transportation, mental health and addiction, and many other programs that are vital to the citizens of Ohio. As I will discuss today, Ohio’s biennial state budget, signed into law by Governor DeWine in July 2019, supports these initiatives as well; however, without discretionary federal funding, many of these areas would be drastically cut or become unfunded.

To understand our budget picture, it is important to first discuss our state and national economic outlook. According to our forecasts and economic indicators, Ohio's economy is likely to continue expanding in 2020. Nationally, inflation is tame, the Federal Reserve has reduced its policy interest rate, credit remains widely available at moderate cost, and the price of oil is near the middle of its range of the last two years. Nonfarm payrolls across the country increased by 145,000 jobs in December. The October and November increases were strong, 156,000 and 256,000, respectively. In Ohio, nonfarm payroll employment increased by 6,700 jobs in November. Our unemployment rate is down to 4.2 percent, from 4.6 percent in December 2018, and our labor participation rate, those in the workforce or actively seeking work, increased from 62.3 percent to 62.9 percent.

During Ohio's Fiscal Year 2019, economic expansion led our General Revenue Fund (GRF) to again surprise on the upside, with revenues outperforming estimates, Medicaid spending falling well below estimate, and a year-end fund balance that was \$756 million above estimate. Ohio's budget surplus allowed us to transfer \$312 million to various state funds to pay for executive and legislative priorities such as school bus purchases, tobacco use prevention, opioid treatment, and clean water programs. After those transfers, the state GRF had \$665 million left to carry into Fiscal Year 2020 in support of a significant income tax cut – a four percent cut in all tax rates on top of extending the zero tax rate bracket up to \$21,750 in income – and to fund other priorities.

Ohio values the federal-state relationship and the impact that we make by working together. The State of Ohio manages \$28 billion in federal grant funds each year, which is roughly 40 percent of our state budget. \$7.5 billion of these funds come from discretionary grant programs. Federal grants in Ohio are administered by 36 different state agencies, utilizing 58 different systems and tools, with approximately 800 state employees dedicated to grant administration and compliance. Ohio recognizes the need to become more efficient and streamline state grant processes, but we cannot do this alone. Ohio plans to leverage the federal grant reporting standardization made possible by the recently-signed Grant Reporting Efficiency and Agreements Transparency (GREAT) Act, which will assist Ohio in reducing redundancy of staff and local government efforts by limiting the burden of compliance reporting and making sure key dollars translate to program delivery rather than administrative overhead.

Our partnership with the federal government is important as we work every day to ensure that Ohio is a great state to live, work, and raise a family. As Governor DeWine said in his first State of the State address, our focus is “on people, not on bureaucracy”. We need the regulatory flexibility to address the individual needs of our citizens instead of continuing to focus hundreds of state and local employees on simply meeting the requirements of burdensome, duplicative and sometimes conflicting, federal strings.

What Ohio is Doing

In the one year and one day since becoming Ohio's budget director, I have been traveling throughout the state to visit with local officials and discuss ways to better collaborate to serve the citizens of Ohio. I have learned that our local governments find it difficult to navigate the grants administration processes. Right now, we do not have a single, common state source that identifies federal pass-through funding opportunities because grants are currently handled differently by each respective state agency. We also encounter challenges with duplicating work effort, especially at the onset of applying for funding opportunities. Applications for funding vary by state agency, usually due to federal requirements, but largely require similar information. This information must be entered each time an applicant applies for a grant. Our local partners have expressed these challenges to be a drain on their resources and a hinderance to seeking potential funds which could help their community.

I am concerned that the communities with the most need do not have the resources to apply for grants. Ohio is breaking down these silos to maximize efficiencies, streamline processes, and improve funding transparency by creating a grants department within the budget office to coordinate across agencies. Ohio provides over \$4 billion a year in federal funds directly to subrecipients and it is imperative that we make sure these funds connect to those with the greatest need. Our plan will ensure that Ohio is a leader in streamlining and coordinating grants and we will improve upon our ranking of 24th when it comes to federal revenue as a percent of state-local general revenue (see [State Policy Reports V37, Issue 21, Nov 2019](#)).

Today, I would like to share a few examples of programs where Ohio has brought together state and federal budget resources to address pressing problems facing our citizens.

Multi-System Youth

A great example of why the federal-state-local partnerships matter is illustrated by Ohio's focus on assisting families with multi-system youth – children who are involved in two or more child-serving systems, including children services, developmental disabilities, mental health and addiction, and juvenile justice. As Governor DeWine stated, “too many families lack access to the care that their children need to be happy and healthy. For some families, this results in parents making the unfathomable choice to relinquish custody of their child to help them get the care they need.” When parent's relinquish custody, “it's tragic that Ohio's children can end up across the state or country from their homes.” As a result of Governor DeWine's leadership, four executive branch departments, three county-level associations, and many non-profit organizations are now working together to coordinate care and provide funding for services for these children and their families. In state Fiscal Year 2020, Ohio dedicated \$31 million in new state funding to break down the existing barriers. In many cases, the new state funding is being used to support individual children with extremely complex needs eligible for

federal Medicaid and Title IV-E. When combined in a coordinated fashion, these layers of funds can produce better outcomes for children and families. The investments include:

- The Department of Mental Health and Addiction Services, through the Ohio Family and Children First Councils, focus on cross-system collaboration and identifying best practices across the state for serving children and their families that are involved in multiple state systems.
- The Departments of Medicaid and Job and Family Services have jointly developed a state-level program to provide financial support to youth and families with complex needs who are at risk of custody relinquishment or have already been relinquished to the foster care system to help return these children to their families.
- The Department of Job and Family Services works with county Public Children Service Agencies who work with families to prevent further custody relinquishments and supports the costs of those in congregate care.
- The Department of Developmental Disabilities is using their portion of funds to provide grants to numerous organizations to provide training for providers to identify multi-system youth and recognize their special needs, planned respite care for families, and developing telepsychiatry for youth statewide.

Ohio is focused on providing children the services they need while avoiding custody relinquishment whenever possible. Investing in our children is investing in our future and we welcome more flexible federal funding to allow us to do even more for these children and their families.

Lead Exposure

Governor DeWine and his administration are focused on protecting children from lead exposure by coordinating the efforts of six state agencies to create a multi-pronged approach that better leverages our shared priorities with our federal partners. As Governor DeWine has said many times, “it is unconscionable...that in 2019, there are still children whose opportunities are stifled because they live in a home where they are exposed to lead paint. No child should be poisoned in their own home.” We are appreciative of the \$44 million Ohio received from the U.S. Department of Housing and Urban Development for lead hazard control and have invested over \$20 million of state dollars to complement this partnership. Ohio is the third state in the nation to have completed a state plan amendment to the Centers for Medicare & Medicaid Services (CMS) which allows Ohio to direct \$5 million per year to lead hazard control and the establishment and maintenance of a Lead-Safe rental registry statewide. Over 150 homes have had their lead hazards abated and Ohioans can now locate lead-safe rental housing.

- Every year, thousands of Ohio children under the age of six are found to have blood lead levels above CDC's reference value of five micrograms per deciliter. Undoubtedly, there are countless more who have never been tested at all and would test positive for lead exposure.
- In 2019, Ohio created a new lead abatement income tax credit with a maximum of \$10,000 for eligible individuals who have incurred expenses to test for lead and make their homes lead-safe.
- To assist those children who have dangerously high levels of lead in their blood, Ohio invested an additional \$24 million for the Department of Developmental Disabilities' Early Intervention Program to help provide physical, speech, and occupational therapy services.
- In addition to existing funding streams, Ohio has increased direct state funding for lead poisoning prevention by \$22 million for state Fiscal Year 2019-2020.
- The new approval from CMS includes significant changes that will greatly improve the effectiveness of the Medicaid/Health program. In the past, some types of home owners were required to provide a financial contribution toward the total cost of lead abatement projects, and all homeowners were required to provide proof of homeowners' insurance and copies of birth certificates documenting the age of children living in the home. These requirements were removed to provide additional flexibility for property owners and their tenants.

RecoveryOhio

Ohio's mental health and addiction crisis impacts every county, city, town, and village. Immediately after taking the Oath of Office, Governor DeWine signed an Executive Order creating the RecoveryOhio Initiative to address critical matters concerning mental illness and substance use prevention, treatment, and recovery support services. Ohio's operating budget reflects Governor DeWine's commitment to helping those with mental health and substance use disorders. The budget also reflects his dedication to assisting local schools, law enforcement, businesses, and other agencies that are also facing the consequences of this public health crisis. The flexible use of federal dollars is critical to addressing the wide array of issues as illustrated by the 23 executive branch departments and numerous others that are working together in Ohio to tackle this issue that affects so many different aspects of people's lives. Recent progress has been made through the Consolidated Appropriations Act, 2020, which will ultimately allow states much needed flexibility to continue combatting the ever-evolving drug epidemic. Ohio has been proactively working to leverage our state opiate response and state treatment response grants with other sources of funding to expand services and bridge gaps in our existing treatment and recovery systems.

- In Fiscal Year 2019, the Ohio Department of Job and Family Services (ODJFS) began issuing State Opiate Response (SOR) funds to its local workforce areas and OhioMeansJobs centers to supplement their opiate-related grant dollars from U.S. Department of Labor, and a state investment from our Bureau of Workers Compensation funds. The SOR dollars enabled the state workforce authority to enhance services for employers of people with opioid use disorder, and to serve new populations who may not qualify for other programs. Six of the 20 local areas completed the SOR and federal reporting requirements training and two areas increased for career services, training, and supportive services provided to the SOR target population.
- In Ohio, local Departments of Health can choose to operate overdose prevention training and distribution of naloxone kits to high risk populations. The programs are called Project DAWN (Deaths Avoided with Naloxone). The state opiate response and state treatment response grants were used to expand and enhance these overdose prevention efforts. The projects are currently working to implement 118 different distribution strategies with 27,750 kits to be distributed by September 2020.
- The Ohio Board of Pharmacy operates the state Prescription Drug Monitoring Program, called Ohio Automated Rx Reporting System (OARRS). Ohio has been working to increase the capacity to provide Ohio Department of Mental Health and Addiction Services with detailed reports regarding opiate and Medication Assisted Treatment (MAT) prescribing throughout the state. Using state opiate response dollars, the Board of Pharmacy was able to expand their investigation team to provide regarding co-prescription of MAT and other medications including narcotics and benzodiazepines.
- Leveraging state opiate response funding, the Medical School Curriculum project brings together all the medical schools in Ohio to develop a pain management and opioid use disorder curriculum across Ohio. The finished project contains lecture notes, power points, videos, exams and other resources and is scheduled for implementation in year two of the SOR project.
- The Maternal Opiate Medical Supports (MOMS) program was developed with the Ohio Departments of Medicaid and Mental Health and Addiction Services, using both state and federal funding. This program serves pregnant and post-partum women with opioid use disorder. This program successfully increases access to MAT and other wrap around services. The MOMS program served 490 women across twelve sites. Statistics indicate that fewer infants are being born with Neonatal Abstinence Syndrome (NAS) and more infants are experiencing shorter neonatal intensive care stays as a result of the MOMS project. This program successfully develops the workforce of providers who work with the MOMS programs.

- State opiate funds were used in conjunction with funds from the Ohio Attorney General’s office to create the OhioSTART Program (Sobriety, Treatment and Reducing Trauma). Ohio START is an intervention program providing intensive trauma counseling to children who have suffered maltreatment with substance use of a parent being the primary risk factor. The program also assists parents of children referred to the program with their path to recovery from addiction. Family peer mentors are paired with a child welfare caseworker to provide intensive case management services. The pilot is in 46 counties which will each serve approximately twelve families at once. It served 900 individuals in the first year of operation.

Reducing Bureaucracy

In Ohio, we are leading the nation in eliminating burdensome bureaucracy and unnecessary regulations. We are making progress through initiatives like:

- The Common Sense Initiative (CSI), which reviews business-impacting rules, helps businesses navigate regulatory obstacles, and leads initiatives to improve Ohio’s regulatory climate. Since its launch, CSI has reviewed nearly 15,000 state agency regulations, and has identified 60 percent of those regulations as potential obstacles to Ohio businesses. All of those identified regulations were either amended or rescinded.
- The “one-in-two-out” initiative, which requires the repeal of two old regulations each time a new regulation is adopted. The rule, similar to an executive order signed by President Trump in 2017, was signed into law this summer as part of the state operating budget.

How States and the Federal Government Can Work Better Together

One of Governor DeWine and Lt. Gov. Husted’s main priorities is building a better Ohio through job training and workforce innovations, streamlining regulations and modernizing the way government operates, while encouraging research, investment, and development. Ohio has more than 75 job training programs across twelve state agencies, many aligned with various federal agencies and regulations. We are focused on better coordinating these efforts to find economies of scale and maximize our resources, while also making the system easier for workers and employers to navigate. We know Ohio’s average working age is skewing older than the nation’s and we need to train today for tomorrow’s jobs. In the past, the biggest impediment for businesses seeking to locate or to expand in Ohio was our tax structure – we have addressed that. Ohio’s business climate reached the top three in *Site Selection Magazine’s* state rankings, making Ohio the top state in the Midwest. We continue to jump in several annual state business rankings: from 23 in 2011 to number ten today in CNBC rankings; from number 41 in 2011 to ninth today in *Chief Executive’s* annual CEO Survey; and a

first-ever Top Ten in *Area Development* magazine's ranking. Our capital city, Columbus, is the fastest-growing city in the Midwest, and our "three Cs" – Columbus, Cincinnati, and Cleveland – are all in Glassdoor's Top 25 Best Cities for Jobs.

Today, our employers' biggest challenge is hiring qualified, skilled workers for high-paying jobs. Ohio currently has over 65,900 open jobs that pay over \$50,000 per year. Another encouraging sign is that more U-Haul trucks are coming into Ohio than are leaving, making us the company's number seven net growth state for 2019. Dean Haske, president of the U-Haul Company of Ohio, said recently, "For years, we were part of the 'Rust Belt' and people were moving away. Now, we're rebounding with jobs in the tech sector. Ohio has migrated from being a blue-collar state to offering some of the best white-collar jobs there are."

Ohio is strong and can be stronger without burdensome regulations. Now is the time for federal, state, and local partners to work together to streamline the various workforce development programs and funding sources to ensure that Ohio and other states can compete – and win – in the global economy. Doing so will allow us to direct valuable state and federal dollars directly to Ohio's workforce, instead of to administration. In all the examples I have provided today, Ohio has worked within the regulations to get things done. Many of the examples required Ohio to obtain waivers from federal rules. Each waiver requires extensive paperwork and precious time – time that could be better spent in direct service of the needs of our citizens.

Serving our citizens should not require waivers. *Flexibility* should be the *rule* and not considered an exception. We ask that you continue your efforts towards reducing the burdens on states so we can maximize the taxpayer dollars that we are all investing in our shared priorities.

Mr. Chairman, Members of the Committee, thank you for holding this important hearing and for allowing me the honor to be here for this discussion. I am happy to answer any questions that you have today.