



**Department of  
Job and Family Services**

**John R. Kasich**, Governor  
**Michael B. Colbert**, Director

**House Finance and Appropriations Committee  
Ohio Department of Job and Family Services  
Executive Budget Recommendations SFY 2012-2013  
Michael B. Colbert, Director  
March 17, 2011**

Good afternoon, Chairman Amstutz, Vice Chairman Carey, Ranking Minority Member Sykes, and members of the House Finance and Appropriations Committee. I'm Michael Colbert, director of the Ohio Department of Job and Family Services. Here with me today are key members of my executive staff, including Bruce Madson, assistant director of Employment Services; Michael McCreight, assistant director of Health and Human Services; and Edna Frezgi, our chief financial officer. Earlier, you heard from John McCarthy, our Medicaid director. Thank you for the opportunity to appear before you today to discuss the non-Medicaid portion of our budget for fiscal years 2012 and 2013.

As you know, JFS is the agency responsible for safety-net services for Ohioans. This includes Employment Services – such as job training and unemployment compensation – and services for families and children, such as child care, food assistance, cash assistance, child support, and foster care, adoption and adult protective services. We're also the "single state agency" for administering Ohio's Medicaid program.

Our customers include Ohioans who lost their jobs during the recession, the working poor, and children who have been abused or neglected and need safe, permanent homes. To qualify for most of our programs, Ohioans must have very low incomes. A family of three receiving food assistance can earn no more than \$1,984 a month. A family of three receiving basic cash assistance can earn no more than \$763 a month.

For most of our programs, we have what is called a "state-supervised, county-administered" system. This means that, for the most part, county agencies can choose how they deliver services to Ohioans. The state – through JFS – develops policies and procedures to guide them. We also provide technical assistance and make sure they're following all laws, rules and policies, and we provide the systems they need to manage their case loads, determine eligibility and deliver benefits.

We support more than 120 local entities throughout the state, including county departments of job and family services, public children services agencies, child support enforcement agencies, and local workforce areas. A large percentage of the people in Ohio, at some point in their lives, will cross paths with our agency's services. At any given time, our customers include an estimated 1.2 million children involved in the child

support program, more than 300,000 Ohioans receiving unemployment compensation, more than 1.8 million Ohioans receiving food assistance, and about 2.1 million Ohioans enrolled in Medicaid.

We serve our millions of customers with an annual budget of \$21.8 billion (SFY 2011) – including both federal and state dollars – and fewer than 4,000 employees. Almost 70 percent of our budget is federally supported. Only 3 percent is spent on personnel services and administrative functions. For our non-Medicaid programs, General Revenue funding has gone down in recent years – from \$968 million in state fiscal year 2008 to \$831 million in state fiscal year 2011. And it will decline even more in 2012 and 2013.

We have learned to do more with less, and to make sure that everything we do helps achieve our mission, which is to improve the well-being of Ohio's workforce and families by promoting their economic self-sufficiency, and by ensuring their safety. In these tough economic times, we want to ensure that people have temporary supports to get back on their feet and back to work as soon as possible.

Our top priority is helping people find jobs. Our state fiscal year 2012-2013 budget submission was crafted with this priority in mind. It also acknowledges these difficult economic times, and represents an attempt to balance the needs of those we serve with our need to live within our means.

Our biggest challenges in this biennium are greatly increased caseloads for many of our programs, and also the loss of federal stimulus funding. When we created this budget, everything was on the table, and nothing was off limits. Our budget submission reflects many difficult decisions. However, in no case do we propose reductions solely for the sake of making reductions. Every decision was carefully weighed.

I firmly believe that challenges bring opportunities – the opportunity to do things differently, and the opportunity to do things better. For example, we are considering all options for reducing our cost-per-case while maintaining services, including modernization and/or centralization of service delivery, decreasing duplication, and leveraging technology.

As many of you know, JFS has three primary program areas. One of those is Medicaid, which you heard about in detail this morning. This afternoon, I will provide an overview of our executive budget submission for our other two program areas: Employment Services, and Services for Children and Families.

As administrator of federal workforce programs, JFS oversees a network of 31 full-service "One-Stop Centers" that provide free job training and other employment services to Ohioans looking for work. The centers match job seekers with businesses looking to hire, and help laid-off workers learn new skills and find new jobs. Our One-Stops served about one million Ohioans last year.

JFS also is a partner in the state's Rapid Response system. Rapid Response ensures that a full range of services are offered at each plant closing or layoff, to avert the layoff if possible, to help workers find jobs if necessary, and to coordinate a locally driven response.

One of our most successful tools for matching job seekers with businesses is Ohio Means Jobs. Through a partnership with Monster.com, OhioMeansJobs.com gives employers free access to millions of resumes from within a 50-mile radius of the state, and gives job seekers access to tens of thousands of job openings. Ohio developed – and became the first state in the nation to adopt – this unique public-private collaboration. Ohio Means Jobs is a completely self-serve system, and in January alone this year it had more than 3 million hits.

As we enter a period of extended economic recovery, strategic investments in training will be key to ensuring that workers learn skills employers need. We believe two forms of training hold particular promise. One is incumbent worker training; the other is on-the-job training.

Incumbent worker training is training provided to currently employed workers to keep them employed, avert layoffs and improve their employability. Some might ask why you would train workers who already have jobs. There are three good reasons: The employee gets a promotion and a raise. The company gets the skilled worker it needs. The company hires a replacement for the promoted employee. That's three wins for one training.

On-the-job training is training that gives unemployed workers the chance to “earn and learn” – in other words, that allows them to receive training while they are working, and that guarantees them a job when the training ends. Both of these trainings are employer-directed, which means they allow workers to be trained in skills employers actually need, which greatly improves their success rate.

JFS also administers Ohio's unemployment compensation program, which provides temporary income to unemployed workers who lose their jobs through no fault of their own. During calendar year 2010, we issued unemployment benefits totaling more than \$5 billion – in state and federal funds – to more than 660,000 individuals. Unemployment compensation is financed by quarterly premiums that employers pay to both the federal and state governments. We currently have more than 200,000 active employer accounts. The employer taxes paid to the federal government cover most of the administrative costs. The employer taxes paid to states fund the actual benefits.

In order to make this process easier for employers, we are in the process of launching a new unemployment tax system: the Employer Resource Information Center, or ERIC. ERIC is a Web-based system that allows employers to register online, manage their accounts, file and pay taxes online, and upload their tax return data directly into the system.

ERIC is easy-to-use, secure, and has already produced significant savings. With its roll-out, Ohio will become only the second state in the nation to have fully modernized, Web-based tax and benefit systems.

As I'm sure you are aware, like many other states, Ohio's Unemployment Insurance Trust Fund ran out of money midway through the last recession – simply because it was paying out more money than it was collecting. Last year, we collected an average of \$97 million a month – and paid out an average of \$140 million a month. Because all states are federally required to pay benefits, Ohio has borrowed more than \$2.4 billion from the federal government.

The federal stimulus bill temporarily waived interest on borrowings. However, unless we receive another federal waiver, our first interest payment – of an estimated \$71.8 million – will be due September 30. Our second interest payment – of \$122.2 million – will be due next year. In Ohio, the Unemployment Compensation Advisory Council is the statutory body charged with making recommendations about the Trust Fund to the General Assembly. The council was created in the 1980s when Ohio also had to borrow. It represents both business and labor, and we look forward to working with them on a plan to move forward.

Our most difficult decisions in this budget submission concern some of our programs for children and families. I would like to emphasize that these decisions do not represent value judgments on these programs. They simply reflect the fact that tough choices had to be made, in light of our extremely limited resources.

JFS allocates General Revenue funding to county agencies to support the local administration of many programs. This budget contains reductions of more than \$15.5 million for these line items in each of the next two state fiscal years. We know this will require a difficult adjustment on the part of counties. Given the state's financial condition, however, we felt this cut was unavoidable.

To help ease the burden on county agencies, we have begun allowing counties to use their mandated share of \$28 million – the amount they contribute toward our maintenance of effort funds for the Temporary Assistance to Needy Families program, or TANF – for Food Assistance and Medicaid instead. Counties that choose to do this also receive federal matching funds for it, bringing the total to \$56 million. In addition, if they wish, counties can receive a portion of their TANF grant as TANF Title XX grant funding. This can help offset cuts to local child welfare programs.

One of our most urgent priorities for the next biennium is ensuring that we have sufficient state maintenance of effort funds to qualify for federal TANF block grant funding. Our maintenance of effort requirement in Ohio is approximately \$417 million. Approximately 45 percent of the agency's total non-Medicaid GRF funding is used for TANF maintenance of effort.

If we do not have sufficient maintenance of effort funds, we will be subject to federal penalties, which will result in a reduction of TANF funds. In state fiscal year 2010, Ohio was able to claim more than \$23 million in early childhood education expenditures as maintenance of effort. We are planning to claim early childhood education expenses again in state fiscal year 2012 and 2013.

Because the TANF grant no longer carries a balance from prior years, the funds available from the current year's TANF grant and required maintenance of effort are the primary funds available for Ohio Works First cash assistance, a portion of child care and county TANF administration.

This budget allows us to maintain both the Adoption Assistance and State Adoption Maintenance Subsidy programs, by slightly reducing the state share of monthly subsidy payments from \$250 to \$230 per child per month.

It also allows all children currently enrolled in publicly funded child care to continue to receive services, in order to support their parents' work, education and training efforts. It reduces eligibility for new families to 125 percent of the federal poverty level, but allows family income to rise to 200 percent of the federal poverty level after children are enrolled. Even with that change, we will be able to maintain our current case load of about 100,000 children a month. In order to maintain this level, however, we must reduce provider rates by 7 percent, or about \$40 million, per year. This budget also allows us to maintain our Step Up To Quality program, which makes it easy for parents to find high-quality programs for their children.

For our Child Support Program, our priorities are to maintain enforcement services and to provide maximum flexibility to counties. For years, Ohio's Child Support program has earned incentives from the federal government for its outstanding performance results. Until 2006, and from 2009 through September 2010, the federal government provided a 66 percent match for expenses paid with incentive dollars. Unfortunately, that match is no longer available. Ohio will lose more than \$100 million over the biennium – which is why it is especially important to give local agencies as much fiscal flexibility as possible.

I would like to say a few words about our IT line items. Significant state IT resources are directed toward achieving federal compliance for many of our programs, to avoid potential penalties and loss of funding, and so we can adequately serve the children and families who need us.

Our Office of Information Services maintains all of our eligibility, determination and benefit issuance systems – which are the backbone of our county agencies. They include:

- The Ohio Job Insurance System, or OJI, which is our unemployment system;
- The Statewide Automated Child Welfare Information System, or SACWIS, which is our case management system for foster care;
- The Client Registry Information System-Enhanced, or CRIS-E, which is the database for our cash and food assistance and related programs;

- The Support Enforcement Tracking System, or SETS, for our child support program;
- The Child Care Information Data System, or CCIDS, our new automated child care information system.

As you heard this morning, my staff and I are working with our vendor to implement our new Medicaid Information Technology System, or MITS, as soon as possible. I know many of you are disappointed that MITS is not yet operational. So am I. However, it is crucial that Medicaid continue to reimburse the tens of thousands of providers that care for Medicaid patients across Ohio. For that reason, we cannot implement the system before it has been carefully tested. I want each of you to know that I am personally monitoring MITS development and working to expedite the process.

Earlier I mentioned that I believe technology can improve service delivery and achieve long-term cost savings for many of our programs, in part because it allows us to pursue more self-service options. A good example of this is the Ohio Job Insurance system. For years unemployed Ohioans have used this system to file claims over the Internet. Last fall, we unveiled an Ohio Online Benefit Application, so that people can apply for cash, food or medical assistance online, at their local public libraries or wherever they can access an Internet connection. We're very interested in pursuing similar self-service options whenever we can.

Over the last several years, we have been extremely successful in our cost-containment efforts. Since January 2009, we have identified more than \$77 million due to the state as a result of overpayments to long-term care facilities. Since 2002 we have reduced the cost of processing child support payments by \$30 million. In 2010, we recovered almost \$10 million in falsely obtained unemployment benefits. This money will be returned to the Trust Fund. We consolidated our field offices from 34 to 29, which saved us about \$1.3 million. We made significant reductions in travel spending. From 2008 to 2011, we reduced travel spending by more than \$900,000.

We're proud of many other recent accomplishments, as well. In December the Department of Labor named Ohio the top-performing large state for quickly and accurately disbursing unemployment benefits. Our Food Assistance program has been recognized as one of the best programs in the nation for payment accuracy. We launched a new Web site, Ohio Here to Help, to quickly connect unemployed Ohioans to a wide range of information and resources, both public and private.

Our Alternative Response pilot project ended with such good results that we have expanded the program to include 25 counties. Alternative Response – also called Differential Response – offers caseworkers a second option for responding to some reports of child abuse and neglect. It has been found to result in continued child safety, greater satisfaction by both families and caseworkers, fewer children in out-of-home care, and long-term cost savings.

Recently, we received more good news for our child welfare system: The federal government agreed to extend our ProtectOHIO waiver for another five years. This waiver allows the 18 participating counties to use federal Title IV-E foster care dollars for other services, such as family team meetings and kinship support services. The federal government commended us for seeking alternative ways to improve our child welfare system.

And those are just a few examples. Given the stressful economic situation, and the high caseloads for many of our programs, we are very proud of these achievements. In conclusion, as I explained, this budget submission reflects many very difficult decisions. However, we consider our budgetary challenges to be an opportunity – an opportunity to rethink how we do business, and to do things differently, but better. We provide temporary services for Ohioans, and our programs work best when they're just that: temporary. At JFS, reducing costs and improving services starts and ends with putting people back to work – and I think our budget recommendations reflect that.

Thank you again for the opportunity to speak today. I look forward to answering any questions you may have at this time.