

State Budgeting Matters

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Highlights

- *As unemployment rates rise and the national recession causes economic distress in other ways, many more people are seeking government assistance. Yet the programs that provide help suffer deep cuts in the new state budget.*
- *Cuts to locally-administered programs that are dependent on state aid – including community behavioral health, family stability, and child welfare – will reduce the availability of services for vulnerable populations.*
- *Reduced funding levels will lead not only to more people failing to receive needed services, but also to increased costs in the long-run.*

New State Budget Puts Severe Burden on Local Partners and the Services They Deliver

Ohio's state budget for the next two years, signed on July 17, reduced state share General Revenue Fund (GRF) spending by almost \$3.1 billion compared to the last biennium. Funding for many human service programs is now at decade-low levels.

The Center for Community Solutions and other human services advocate partners in the Campaign to Protect Ohio's Future attempted, throughout the budget process, to secure the revenues needed to maintain a social services network that could meet rising needs. The governor and legislative leaders were unwilling to consider meaningful revenue increases to mitigate the budget shortfall and further eroded the revenue situation by leaving in place tax cuts started by H.B. 66 in 2005. Installing slot machines at racetracks, the revenue option chosen by policymakers, will not raise enough to keep Ohio's social service programs intact. Irrespective of the current economic crisis, Ohio's revenue system has been severely damaged by five years of tax cuts – the final reduction (4.2 percent) to the personal income tax took effect January 1, 2009. The tax changes set in motion by H.B. 66 will remove over \$2 billion from state coffers in FY 2010 compared to the previous tax framework.

With the nation in the midst of the longest recession since World War II and over 660,000 Ohioans out of work¹, more people need more services more than ever. The bottom line in the new state budget is that money provided for human services is insufficient to meet this rising need.

This issue of *State Budgeting Matters* details state funding levels for the community behavioral health, family stability, and child welfare systems, and the impact on services at the local level – where most human services in Ohio are delivered.

Community Behavioral Health Services *Mental Health*

The Ohio Department of Mental Health (ODMH) took one of the largest and most substantial GRF cuts in the state budget. Overall, in the FY 2010 – FY 2011 biennium GRF funding for ODMH was reduced by \$190 million, or 17.5 percent, from post-cut FY 2008 – FY 2009 levels. The two line items that provide the lion's share of funds for the community mental health system were hardest hit. Community and Hospital Mental Health Services (408) and Local Mental



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Chart 1. ODMH Funding by Line Item for Community Mental Health Services

| Line Item Name | FY 2008 Actuals | FY 2009 Estimate | Final FY 2010 | Final FY 2011 |
|---------------------------------------|-----------------|------------------|---------------|---------------|
| Forensic Services (401) | \$4,371,610 | \$4,325,822 | \$3,089,969 | \$3,244,251 |
| Behavioral Health Svcs—Children (404) | \$7,400,015 | \$9,114,847 | \$7,460,800 | \$7,460,800 |
| Community & Hospital MH Svcs (408) | \$397,540,684 | \$379,324,545 | \$371,742,870 | \$369,982,336 |
| Community Medication Subsidy (419) | \$9,959,798 | \$9,959,798 | \$9,959,798 | \$9,959,798 |
| Local MH Systems of Care (505) | \$106,511,686 | \$64,123,194 | \$11,650,000 | \$20,644,308 |

Source: Legislative Service Commission

Health Systems of Care (505) were reduced by a total of \$173.5 million over the biennium. Chart 1 shows funding levels by line item for community mental health services.

ODMH recently released its allocation guidelines, which provide additional detail on funding levels for programs in FY 2010.² The sections below detail program funding for community mental health services by line item for FY 2010.

Forensic Services (401) provides funding for psychiatric evaluation for courts of common pleas and for monitoring and tracking of persons conditionally released by the criminal justice system. This program is funded at \$3 million in FY 2010 and at \$3.2 million in FY 2011, a reduction of about \$1.2 million per year. In FY 2010, ODMH will provide \$2.6 million for psychiatric evaluation services to courts, a reduction of 5 percent. ODMH will also provide \$460,000 in FY 2010 for community risk management and system development, which is about half of what was provided in FY 2009. These funds are used by county boards to monitor mentally ill persons found not guilty by reason of insanity or incompetent to stand trial and conditionally released by the criminal justice system. In FY 2009, forensic services funds were also used to develop local plans and provide specialized training to law enforcement and court personnel in an attempt to reduce the criminalization of the mentally ill. These funds are eliminated in FY 2010. Funding for criminal justice diversion and re-entry programs, as well as two forensic psychiatric fellowships, are also eliminated in FY 2010. Funding for these programs totaled \$574,000 in FY 2009.

Behavioral Health Services for Children (404) is funded at \$7.5 million per year, a reduction of about \$1.6 million per year. Of this, \$6.5 million will be distributed to local boards for intervention and treatment services for children with intensive and multi-system behavioral health needs. Remaining funds will be combined with state and federal money from partner agencies and allocated to family-centered services and supports and behavioral health/juvenile justice projects.

Community and Hospital Mental Health Services (408) provides money for both forensic³ and civil inpatient hospitalization, as well as community mental health services. It is funded at \$371.7 million in FY 2010 and at \$370.0 million in FY 2011, a reduction of \$35 million. For FY 2010, ODMH has set the inpatient hospitalization per diem at \$525, an increase of 9 percent over FY 2009 levels. An additional \$108.6 million of the 408 allocation in FY 2010 will be reserved for hospital care for forensic patients. Boards are expected to use to use \$87.5 million from this line item to purchase civil inpatient hospitalization care. This leaves \$175.6 million in “flex dollars” for boards to purchase community-based mental health services, including those covered in the state’s Medicaid program – compared to \$267 million in FY 2009.

Community Medication Subsidy (419) provides a subsidy to county boards to purchase psychotropic medications for indigent patients to support their recovery and prevent more costly hospitalizations. This program was flat-funded at just under \$10 million per year. But, demand will likely increase

because the Ohio Department of Jobs and Family Services (ODJFS) Disability Medical Assistance program, which provides limited services for medication-dependent individuals, is eliminated in January, 2010. This program served about 1,500 persons in May, 2009.⁴

Local Mental Health Systems of Care (505) has provided subsidies to county boards for community mental health services and funded special projects and initiatives. Funding for this line item was significantly reduced from previous years. Funding levels are \$11.6 million in FY 2010 and \$20.6 million in FY 2011, a reduction of \$138 million, or 81 percent, from the previous biennium. Given the size of the reduction, many programs previously funded by this line item will not be funded in the upcoming biennium. ODMH has eliminated the base allocation to county boards. Following budget reductions, county boards received \$64 million in FY 2009 from this line item as “flex dollars” that could be used like the 408 flex allocation to purchase community-based mental health services, including those covered in the state’s Medicaid program. The loss to county boards for these two line items totals \$92 million for FY 2010 alone.⁵ Funding for most of the special initiatives in the 505 line item was also eliminated. A total of \$200,000 will be allocated to early childhood mental health consultations to help identify behavioral health needs in high-risk, low-income early childhood settings. These funds will be matched with \$2.15 million in federal child care dollars to continue to provide some support for this initiative. In addition, slightly less than \$500,000 will be allocated to county boards in southeast Ohio for mental health services to children and adolescents. An annual allocation has been made for this purpose since the Central Ohio Adolescent Center closed in 1988.

ODMH will target remaining funds to help county boards meet Medicaid match responsibilities, leverage additional federal money, ensure people are served in the most appropriate and least restrictive setting, and provide core mental health services to the most vulnerable and at risk populations.⁶ ODMH reserved \$12 million in FY 2009 from the 505 allocation for safety net emergency funds to help county boards meet Medicaid match responsibilities. Given the current appropriation levels, it is unlikely that much, if any, funds will be available for these other purposes.

Some of the programs previously funded through the 505 allocation include Pre-Admission Screening and Resident Review (PASRR), evaluations for mentally ill individuals residing in nursing facilities, training on behavioral health issues for early childhood mental health professionals, maternal depression screenings, and several housing and homelessness prevention programs.

Alcohol and Drug Addiction Services

Overall, GRF funding levels for the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) for the FY 2010 – FY 2011 biennium were reduced by \$22 million, or 29 percent. Like the cuts to mental health, locally delivered health care services in this system will be significantly reduced at a time when the need for assistance is increasing.

ODADAS will reduce base allocations to county boards to 10.61 percent below post-cut FY 2009 levels. Funding for special projects such as drug courts, drug free communities, and HIV programs will be reduced even further.

Additional federal funding through the enhanced Medicaid match rate provides little relief to the

Chart 2. GRF Funding for ODADAS

| Line Item Name | FY 2008 Actuals | FY 2009 Estimate | Final FY 2010 | Final FY 2011 |
|-------------------------------|-----------------|------------------|---------------|---------------|
| AoD Treatment Services (401) | \$35,919,697 | \$37,791,135 | \$25,998,105 | \$26,784,703 |
| AoD Prevention Services (404) | \$963,294 | \$930,146 | \$868,659 | \$868,659 |

Source: Legislative Service Commission

behavioral health system given the magnitude of the funding cuts. The Medicaid program leaves significant gaps in coverage for behavioral health. As Ohio's Medicaid caseload has grown, state funding for mental health and alcohol and drug addiction services has never matched this increase, leading to higher spending on the Medicaid program and reductions for non-Medicaid services and clients. This lack of investment leads to increased costs elsewhere, including the criminal justice and child welfare systems. It is unlikely that local funds can make up the gap as many boards are using local funds to meet the non-federal share of Medicaid match. In FY 2007, only 33 percent of clients served in the ODADAS system were covered by Medicaid.⁷ In addition, 45 percent of all ODADAS clients served were involved in the criminal justice system. In FY 2008, 67 percent of all clients served in the mental health system were covered by Medicaid. At the same time, 51 percent of all mental health clients served suffered from severe mental illness.⁸

Under current funding levels, the Alcohol, Drug Addiction, and Mental Health Board of Cuyahoga County⁹ reports that they will not be able to provide non-Medicaid services such as housing, employment/vocational services, and crisis intervention services, or treatment services, to individuals who do not qualify for Medicaid and it will eliminate nearly all addiction prevention services. This means that treatment services will cease for 4,000 out of 36,000 mentally ill individuals. In addition, without treatment, ex-offenders with a mental illness and/or addiction disorders will return to prison.

Family Stability Services

County Departments of Job and Family Services (CDJFSs) continue to see record growth in caseloads;

however, state support for these programs has fallen significantly. CDJFSs determine eligibility for food stamps, Medicaid, and cash assistance programs. State support for this function has fallen by more than \$77 million, or 31.5 percent, compared to the last biennium. Because these funds receive a federal match, the total loss to this system will grow to be \$154 million. At these funding levels, most CDJFSs will face significant reductions in staffing levels, which will lead to increased wait times for consumers.

The CDJFSs play a central role in providing social services. Funding reductions coupled with rising caseloads have the potential to create a logjam that will block access to other systems and could lead to higher costs and federal penalties due to decreased accuracy, missed federal performance requirements, and potential federal lawsuits over case processing times.

Chart 4 shows the change from May, 2007 to May, 2009, in the number recipients in the human services programs administered by the CDJFSs. Note that all programs with the exception of Disability Medical Assistance, which has been closed to new enrollment since FY 2004, have risen with unemployment.

TANF Funding

The state budget reduces county TANF allocations by more than \$31 million per year. Counties use these funds to provide short-term assistance to help families maintain self-sufficiency and to assist them with emergencies.

As a way to increase local flexibility, beginning in this biennium counties may use their local mandated share¹¹ of \$28.5 million – formerly used for TANF programming – for eligibility determination. This change will enable counties to raise additional federal

Chart 3. Funding for County Departments of Job and Family Services

| Line Item Name | FY 2008 Actuals | FY 2009 Estimate | Final FY 2010 | Final FY 2011 |
|--|-----------------|------------------|---------------|---------------|
| Entitlement Administration—Local (521) | \$125,930,450 | \$118,609,231 | \$87,310,316 | \$80,223,023 |
| TANF County Allocation | \$327,000,000 | \$326,000,000 | \$295,200,000 | \$291,200,000 |

Source: Legislative Service Commission & County Commissioners Associations of Ohio

Chart 4. Caseload Data for Programs Administered by CDJFSs¹⁰

| | May-07 | May-09 | Net change from 2007 to 2009 | % Increase from 2007 to 2010 |
|-------------------------------|-----------|-----------|------------------------------|------------------------------|
| TANF Cash Regular | 155,417 | 179,133 | 23,716 | 15% |
| TANF Cash Unemployed | 12,271 | 25,008 | 12,737 | 104% |
| TANF Cash Total | 167,688 | 204,141 | 36,453 | 22% |
| Disability Cash Assistance | 14,564 | 15,620 | 1,056 | 7% |
| Disability Medical Assistance | 3,499 | 1,374 | (2,125) | -61% |
| Food Stamps | 1,080,781 | 1,401,563 | 320,782 | 30% |
| Medicaid-ABD | 396,103 | 415,864 | 19,761 | 5% |
| Medicaid-CFC | 1,269,173 | 1,437,595 | 168,422 | 13% |
| Medicaid Total | 1,665,276 | 1,853,459 | 118,183 | 11% |
| Subsidized Child Care | 105,097 | 110,334 | 5,237 | 5% |
| Unemployment Rate | 5.7% | 11.1% | | |

Source: ODJFS Public Assistance Monthly Statistics Report & Labor Market Information

matching funds, but it will further reduce the dollars available to support TANF-funded programs at the local level.

Child Welfare Services

While in total it appears that GRF funding was maintained for child welfare services, looks can be deceiving. New GRF dollars were added to fund services that had been funded with TANF dollars but at substantially lower levels than previously funded.

Children and Families Subsidy (523), which provides funding for the operation of public children’s services agencies, was reduced by \$23 million compared to the last biennium. State support for child welfare services is small. In FY 2007, state funding provided just 8 percent of the money spent in the child welfare system.¹² Even though state investment in this

system is small, only 44 counties have local levies for children’s services. The remaining counties rely on state funding to help meet their child welfare responsibilities.

Adoption Assistance (528) provides a monthly subsidy to families that adopt special needs children. The amount of the payment may vary based on a child’s need and the circumstances of the family. The last biennial budget increased the monthly base payment provided by the state from \$250 to \$300, but now the base payment will likely drop below the previous level. Final guidance has not yet been released.

Kinship Care Services (541), which provides financial incentives to families that accept permanent custody of a related child who had been placed in state custody, had previously been funded with federal

Chart 5. GRF Funding for Child Welfare Services

| Line Item Name | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|--|--------------|--------------|--------------|--------------|
| Children and Families Subsidy (523) | \$73,625,846 | \$68,935,460 | 60,538,872 | \$59,005,915 |
| Adoption Subsidy (528) | \$69,359,417 | \$86,500,697 | \$72,209,708 | \$70,381,223 |
| Child, Family, and Adult Protective Services (533) | \$ – | \$ – | \$15,000,000 | \$15,000,000 |
| Kinship Care (541) | \$ – | \$ – | \$5,000,000 | \$5,000,000 |

Source: Legislative Service Commission

TANF dollars at \$10 million per year. TANF dollars are no longer available and the \$5 million per year in GRF will replace only half of that amount. This program serves 6,000 children and it is likely that eligibility criteria and/or benefit levels will have to be reduced to remain within appropriated levels; however, final decisions have not yet been made.

Similar to the Kinship Care program, the **Child, Family, and Adult Protective Services** (533) line item also was created to continue services that were formerly funded with federal TANF dollars. To bring spending in line with revenues now that the TANF surplus has been spent, the state eliminated the transfer of 10 percent of the TANF grant to Title XX, which resulted in a reduction of \$62 million per year for county social services. Federal Title XX appropriations have been falling in recent years and the TANF transfer helped to free unrestricted Title XX dollars for other purposes, including child and adult protective services. Title XX dollars can be used more broadly than TANF, but under federal law transferred TANF dollars must be used for families with incomes below 200 percent of poverty, or \$44,100 for a family of four.

The new state budget provides \$15 million per year in GRF dollars to counties. The new budget promises another \$46 million per year for this program from \$258 million in tobacco settlement dollars, formerly under the control of the Tobacco Use Prevention and Cessation Foundation. These dollars are the subject of a lawsuit between the state and the American Legacy Foundation. On August 11, 2009, the Franklin County Court of Common Pleas ruled against the state. The governor has promised to appeal this decision, but it is unlikely that this issue will be resolved anytime soon.

What Does All This Mean for Ohio?

State financial support for human services has been significantly reduced in this biennium. In essence, the new state budget spreads an already insufficient amount of funding for human service programs even

more thinly. An unfortunate byproduct of this could worsen the problems that those in need of services will face if it causes cash-strapped state and local agencies to act in a less coordinated fashion. The Strickland administration has been able to increase coordination between agencies to improve care and efficiency and reduce costs across systems. But, reduced funding levels have the potential to lead to insular decisions that can be counterproductive and potentially lead to increased costs overall.

The outlook is not encouraging. State and local government officials are now trying to figure out how to manage drastically reduced resources while best meeting the needs of Ohio residents. In the weeks ahead, the ramifications of these decisions and the human toll will become clearer.

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1. Ohio Department of Job and Family Services, News Release "Unemployment Rates for June 2009," July 17, 2009.
 2. Information in this section comes from the Ohio Department of Mental Health—Allocation Guidelines, Fiscal Year 2010 and Allocation Guidelines, Fiscal Year 2009. <http://www.mh.state.oh.us/what-we-do/protect-and-monitor/allocation-guidelines.shtml>.
 3. Forensic patients are offenders who have been committed to state hospitals for treatment by the court system. The courts, with recommendations from the hospital staff, determine when a forensic patient may be discharged.
 4. Department of Job and Family Services, Medicaid Caseload Report, June, 2009.
 5. Ohio Association of County Behavioral Health Authorities.
 6. Ohio Department of Mental Health—Allocation Guidelines, Fiscal Year 2010. <http://www.mh.state.oh.us/what-we-do/protect-and-monitor/allocation-guidelines.shtml>.
 7. Budget testimony from Director Angela Cornelius Dawson before the Ohio Senate Finance and Financial Institutions Committee, May 12, 2009.
 8. Budget testimony from Director Sandra Stephenson before the Ohio Senate Finance and Financial Institutions Committee, April 30, 2009.
 9. Letter to Governor Ted Strickland from Kathryn E. Gambatese, Board Chair, and William M. Denihan, Chief Executive Officer, Alcohol, Drug Addiction, and Mental Health Services of Cuyahoga County, July 24, 2009.
 10. Data includes number of recipients and is not aggregated to the assistance group level.
 11. The state had previously relied on the local mandated share to meet its TANF maintenance of effort (MOE) requirement. GRF funds in the JFS Early Care and Education line item (535) will be claimed towards MOE to replace the need for local funds.
 12. Public Children Services Association of Ohio, PCSAO Factbook, 9th Edition, 2009–2010, p 23.