



Cuyahoga County Executive Armond Budish Poised to Introduce His First Two-Year Budget

By John R. Corlett, President and Executive Director

October 5, 2015

At the end of this week, Cuyahoga County Executive Armond Budish will be submitting his first two-year budget to Cuyahoga County Council for review. This will mark Executive Budish's most significant opportunity to date to put his stamp on what county government does, and does not do. Many observers argue that how public policy makers propose to raise and spend tax revenue is the most accurate reflection of their values and priorities.

In late July, Dennis Kennedy, the newly appointed Cuyahoga County Fiscal Officer, submitted the second quarter financial report to Executive Budish and Cuyahoga County Council. Fiscal Officer Kennedy's report reviews actual revenue and expenditure data and compares it to the two-year budget adopted by Cuyahoga County in 2013. The report garnered more attention than usual because it projected a \$27.2 million shortfall in the general revenue fund by the end of 2015.

Much of the projected shortfall is driven by what Fiscal Officer Kennedy called in the report "a change in presentation format." Previously, the .25 percent sales tax revenue that funds the Global Center for Health Innovation, as well as expenditures associated with the same, were included in the general revenue fund. But as sales tax revenues came in higher and expenditures came in lower it masked shortfalls in other portions of the general fund budget. There are other issues at play as well, but the move of the sales tax revenue and expenditures out of the general fund is the most significant.

A key factor in the increased sales tax revenue were policy decisions by the State of Ohio that expanded Medicaid coverage and more specifically increased the number of Ohioans whose Medicaid coverage is provided via private Medicaid managed care

plans. This is important because Cuyahoga County is able to apply their sales tax to the premiums the Medicaid managed care plans are paid. My colleague Jon Honeck estimates that in 2014 this equaled approximately \$21.9 million or roughly 9% of all the sales and use tax collected by Cuyahoga County.

In contrast to the General Fund, the Health and Human Services Levy Fund is in relatively good shape with an ending 2015 fund balance projected to be \$31.9 million. This equals 13.4 percent of estimated expenditures and is well above the county's requirement of a balance to expenditures of 10 percent. The memo projects the balance will grow to 18.3 percent in 2016 and 23 percent in 2017. It projects a drop in HHS levy fund expenditures of \$11.6 million in 2016 and 2017.

The report hints that one way the Health and Human Services Levy Fund expenditures could be reduced is by discontinuing a previous \$4 million annual increase in funding allocated to The MetroHealth System and a \$5 million annual increase in funding to the Cuyahoga County Alcohol, Drug Addiction and Mental Health Services Board. This additional funding was added by Cuyahoga County Council during their 2013 budget deliberations. There is no reference to whether other health and human service areas, which were increased by Council, would also be effected. These include:

- \$200,000 for additional meals for senior citizens
- \$200,000 for contracts to provide shelter to the Homeless
- \$100,000 annually for a strategic health and human services planning process
- \$250,000 annually for a Closing the Achievement Gap pilot program to help the education of children
- \$1 million annually in additional funding for the Universal Pre-K program
- \$250,000 annually for additional funding to help children with mental health problems
- \$250,000 in 2014 for the Fugitive Safe Surrender program
- \$2 million in upgrades for health and human services' software and hardware programs

It's important to note that HHS levy expenditures have, and are projected to continue to exceed levy fund revenues. The way that the county manages this is by using funds that have accumulated in what is known as the Public Assistance Fund. This fund consists of federal and state revenues that flow to the county for a variety of health and human service purposes. In the past the largest source of these funds have Title IV-E Administration, Temporary Assistance for Needy Families, and Income Maintenance. The 2014-2015 county budget increased the use of the Public Assistance Fund. But in the

quarterly fiscal report, Fiscal Officer Kennedy suggests that county will seek to reduce their use of the Public Assistance Fund and will attempt to “fund HHS programs with current levels of local resources”.

About a month after the 2nd Quarter Financial Report was released this direction became clearer, Fiscal Officer Kennedy and Interim Office of Budget and Management (OBM) Director Collen Brown sent a memo to county council, department heads and local elected officials outlining their approach to the 2016-2017 budget. They described their overall goal as developing a budget that “identifies different and better ways of using resources to maintain the mission and values of Cuyahoga County”. The memo goes on to say that “significant reductions will be necessary for line items funded by the General Fund and the HHS levy”. Departments and elected officials were then asked, by September 11, to submit budgets 10 percent below the levels indicated in the base budgets prepared by OBM for 2016-2017.

An across the board 10 percent reduction in HHS levy fund expenditures would equal approximately \$23 million. In order to achieve reductions of this size agencies could look to freeze hiring, eliminate unfilled positions, reduce outside contracts, terminate programs, cancel encumbrances, and likely as a last resort eliminate staff positions.

In explaining the possible reductions, the Executive’s office released a press statement on September 18, "We inherited some serious financial challenges. We are preparing a fiscally responsible budget that reflects our priorities. Cuyahoga County has pressing and urgent needs. People need services and we need to help provide for them. But at the same time, we need to look to our future and to invest in building our community and making life better for our residents. In everything we do we have to balance both. Choices need to be made and we are in the midst of working through those."

Another challenge that was identified by Executive Budish in March 2015, and previously discussed by Cuyahoga County Council is the county’s ability to issue additional debt. Over the past several years Cuyahoga County has issued debt to finance the Global Center for Health Innovation, the Cleveland Convention Center, the County Administration Building, the Hilton Cleveland Downtown, and for the demolition of abandoned properties within the county. At the same time, major projects like the transformation of the MetroHealth Medical Center and a renovation of the Cuyahoga County Justice Center, are looking for county financing help to proceed. The current level of debt makes it difficult for the county to meet these and other capital needs, and to the extent that they have to pay for what would otherwise be capital expenditures via the general fund it increases pressure on the county’s annual budget.

Once Executive Budish releases his budget proposal, the action will shift to County Council. This year will mark the first time that Councilman Dave Greenspan will be serving as Chair of the Finance and Budget Committee of Cuyahoga County Council and he will preside over the budget hearings. Council will consider the budget as a “committee of the whole”, meaning that all members of council will likely participate in the hearings.

The budget hearings will kick off on Tuesday, October 13 at 3:00 p.m. when Fiscal Officer Kennedy formally testifies and presents the budget. A little over a week later, on Thursday, October 22 the committee will begin reviewing the health and human services portion of the budget. Councilman Greenspan has asked those presenting to provide a summary of their 2016-2017 budget, any new initiatives or expenditures, any reductions or elimination of existing programs, and finally any reductions or increases in personnel levels.

The following persons are scheduled to present the human services portions of the budget on October 22:

9:00 a.m. to 12:00 p.m.

- | | |
|------------------------------|----------------|
| • Health and Human Services | Matt Carroll |
| • ADAMHS Board | Bill Denihan |
| • The MetroHealth System | Akram Boutros |
| • Children & Family Services | Thomas Pristow |

1:00 p.m. to 4:30 p.m.

- | | |
|--------------------------------------|----------------|
| • Job & Family Services | David Merriman |
| • Office of Homeless Services | Ruth Gillett |
| • Early Childhood/Invest in Children | Rebekah Dorman |
| • Family and Children First Council | Robin Martin |
| • HHS Office of Re-Entry | Luis Vazquez |
| • Workforce Development | Grace Kilbane |

Hearings will continue for other departments and programs through October 29, and then Council has scheduled November 5th and 10th as budget discussion hearing dates with adoption of the final budget scheduled for Tuesday, December 8.

Hearings will take place in C. Ellen Connally Council Chambers that are located on the fourth floor of the county administrative building located at 2079 East 9th Street in Cleveland. Hearings are open to the public, and all of the budget hearings will be live streamed at <http://council.cuyahogacounty.us/>. Public testimony is allowed before and after all committee hearings and meetings.

County Budgeting Matters is published by The Center for Community Solutions.
Copyright 2015 by The Center for Community Solutions. All rights reserved.



Comments and questions about this edition may be sent to jcorlett@CommunitySolutions.com.

1501 Euclid Ave., Ste. 310, Cleveland, OH 44115

101 E. Town St., Ste. 520, Columbus, OH 43215

P: 216-781-2944 // F: 216-781-2988 // www.CommunitySolutions.com