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The State of the Cuyahoga County Budget: Looking Back and Looking Forward

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County Budgeting Matters
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Introduction

In the summer of 2017, Cuyahoga County projected deficits, in the tens of millions of dollars, in both the General and the Health and Human Services (HHS) Levy funds. The recently passed state budget provided clarity regarding the amount of state money that will be allocated to the county. The county will still need to address how to balance the need for economic development and innovation, while maintaining the safety net on which many county residents rely. Planning for the 2018-2019 biennium budget under current fiscal circumstances was, according to Cuyahoga County Office of Budget and Management Director Maggie Keenan, “extremely difficult.”¹

In this edition of *County Budgeting Matters*, we will examine the strategies that Cuyahoga County Executive, Armond Budish, used for developing the 2018-2019 biennium budget, compare the 2017 process to the process used two years earlier, review funding decisions made during the budget process and finally, we will look at challenges the county may face moving forward.

Key Cuyahoga County Executive Budget Strategies

The County Executive’s budget proposal relied on a number of strategies, including:

- Asking agencies to submit budgets assuming a decrease in revenue due, in large part, to the loss of the Managed Care Organization sales tax.²
- Continuing the practice of filling holes left by reductions in General Fund dollars, with money from the two Health and Human Services levies. Historically, the county has moved expenditures back and forth between the General Fund and the Health and Human Services Levy Fund. In 2017, County Executive Budish’s administration also proposed reallocating money from different sources, including \$4.5 million in unclaimed funds from county residents and moving \$7.5 million from the sales tax fund to the General Fund.
- Using one-time federal funding (e.g. The “Hardest Hit” fund) to replace county General Fund dollars that had been expected to be spent as part of the county’s demolition fund.

Budish proposed the county reduce its contribution³ to the demolition fund by \$17 million, thereby increasing the amount of money available to the county General Fund. Administration officials said that, due to a recent windfall of federal “Hardest Hit” funding, the new money freed up a portion of the funds that the county had allocated for other purposes. This suggestion was resisted by local elected officials, housing advocates and others who argued that any increase in funding from any source should increase the number of demolitions.

¹ https://fiscalofficer.cuyahogacounty.us/pdf_fiscalofficer/en-US/obm/2018/2018-19BiennialBudget.pdf

² http://www.communitysolutions.com/assets/docs/Health_Policy/issue%20brief_mhic_tax_final_020817b.pdf

³ https://ccs.memberclicks.net/assets/docs/County_Budgeting_Matters/CBM_County%20Budgeting%20Matters%20Deliberation_12052017.pdf

Council ended up splitting the allocated county dollars between the demolition fund and escrow to figure out the best use of those dollars.

The Difference in Process (2015 to 2017)

- It took longer in 2017 for the county executive and the county council to reach agreement on a budget framework.
- The executive's proposed budget did not include cuts for Alcohol, Drug Addiction and Mental Health Services (ADAMHS) Board of Cuyahoga County or the MetroHealth Medical System, but nor did they contain increases.
- Thomas Pristow, the county's director of health and human services, resigned just prior to the introduction of the two-year budget and just a few months after the completion of the county's health and human service strategic plan.

Budish began his first term in 2015 with a \$68 million budget hole that needed to be filled. While the administration made progress in trying to create a more accessible, transparent and fiscally responsible government, Cuyahoga County still faces significant funding challenges, including more than \$1 billion in outstanding debt.⁴ In 2015, Budish unveiled his budget in October, and within a month, County Council and the administration had reached agreement. In less than five weeks, a framework was in place. In 2017, Budish again unveiled his budget in October, but it wasn't until seven weeks later that that County Council released its changes, with final passage of the budget on December 12 – more than two months after Budish's initial proposal.

The longer time period between the conclusion of testimony of the administration and the passage of the budget, in addition to the postponement of several meetings where the budget amendments were to be unveiled, indicates a higher amount of deliberation between the administration and Council leadership on how to proceed.

ADAMHS Board and the MetroHealth System

In his initial 2015 budget proposal, Budish proposed cutting 17 percent⁵ from the Alcohol, Drug Addiction and Mental Health Services (ADAMHS) Board of Cuyahoga County. This amount was eventually restored in the final budget. In 2017, the executive budget proposal contained neither a decrease nor an increase.

Despite an impassioned plea for increased support by the late CEO, Valeria Harper, in the 2017 budget process, as well as advocacy from the Centers for Families and Children and the Mental Health and Addiction Advocacy Coalition, the County did not change the 2018-2019 annual subsidy for the ADAMHS Board (\$39 million). Both in testimony in this year's budget, as well as in the last budget, ADAMHS Board officials have called for increased spending on recovery housing, saying that when those who are recovering from addiction are sent back to their home environment too soon, they are at a higher risk of relapsing.

In the last county budget, MetroHealth's funding was cut by 20 percent, from \$40 million to \$32 million. Unlike the ADAMHS Board, MetroHealth did not request an increase in its funding. MetroHealth did recently, however, receive the backing of the county⁶ in its bond sale.⁷

⁴ https://ccs.memberclicks.net/assets/docs/County_Budgeting_Matters/cbm_cuyahoga%20fiscal%20future_tarter_08312016.pdf

⁵ http://www.communitysolutions.com/assets/docs/County_Budgeting_Matters/county%20budget%20matters%20-%2011115%20updated3.pdf

⁶ http://www.cleveland.com/cuyahoga-county/index.ssf/2017/03/cuyahoga_county_will_back_metrohealths_systems_transformation_bonds_saving_up_to_160_million.html

⁷ http://www.cleveland.com/healthfit/index.ssf/2017/04/metrohealths_bond_ratings_low_1.html

Development of HHS and Economic Development Strategic Plans

The Cuyahoga County Charter mandates that the county develop a five-year economic development strategic plan. Recently, Cuyahoga County adopted a rule which mandates a five-year [health and human services strategic plan](#) as well. The county also developed an overall two-year strategic plan, which includes elements of the health and human services and economic development plans. All three strategic plans were unveiled between the two most recent budget cycles.

The county has prioritized items to address as it begins its movement toward implementation of its health and human services plan,⁸ economic development strategic plan and the overall county strategic plan. In the Cuyahoga County overall strategic plan, for example, the county stated that one of its goals is to prioritize increased citizen accessibility to high-speed Internet.⁹

What changed between the introduced budget and the budget that was passed by Council?

As was covered in a previous *County Budgeting Matters*, there were several areas where the administration's funding proposal saw sharp decreases from Council amendments¹⁰:

- The Department of Information Technology received a more than \$1.1 million reduction in funding, mainly for staffing related to the Enterprise Resource Planning (ERP) project. The administration had proposed a budget of \$27,069,289 for 2018; the final version of the budget funded the department at \$25,952,448.,¹¹ more than \$1 million dollars lower than the request.
- The Department of Development's budget was dramatically reduced from the administration's initial proposal. County Executive Budish had proposed a budget of \$13,648,594 for the department in 2018 and \$18,775,208 in 2019. In the final version, the 2018 budget was reduced by more than \$2 million, and the 2019 budget was halved, to \$9,232,905.

However, a few programs did see additional funding:

- The Department of Senior and Adult Services (DSAS) was one of the few HHS agencies to see an increase in the county's final budget. The administration initially proposed \$19,023,206,¹² to covers services such as Adult Protective Services, Home Support and the OPTIONS program. The final version of the county budget increased the 2018 DSAS funding by nearly \$100,000 more than the administration initially proposed. With the additional money, DSAS will add a mental health worker in the protective services division. In 2019 and 2020, DSAS will allocate \$300,000 per year to implement a new faith-based outreach program.
- The Family and Children First Council (Closing the Achievement Gap) saw an increase of more than \$500,000 - from a proposed \$4,632,986 budget to a final budget amount of \$5,154,428.
- The Office of Homeless Services saw significant increases in both 2018 and 2019. The proposed budget was \$6,359,296 for 2018 and \$6,369,677 for 2019. In the final budget, the office's budget

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http://www.communitysolutions.com/index.php?option=com_lyftenbloggie&view=entry&year=2017&month=09&day=24&id=90:budish-administration-unveils-five-year-hhs-strategic-plan

⁹ <https://cuyahogacounty.us/strategic-plan>

¹⁰ https://fiscalofficer.cuyahogacounty.us/pdf_fiscalofficer/en-US/obm/2018/2018-19BiennialBudget.pdf

¹¹

http://www.communitysolutions.com/assets/docs/County_Budgeting_Matters/CBM_County%20Council%20Amendments_12062017.pdf

¹² https://fiscalofficer.cuyahogacounty.us/pdf_fiscalofficer/en-US/obm/2018/2018-19BiennialBudget.pdf

increased by \$2.7 million in 2018 and more than \$1.8 million in 2019. One of the reasons for this increase was due to the transfer¹³ of management from FrontLine services to YWCA.

- There were also increases to the Juvenile Court (\$4.8 million) and the Public Defender (\$1.3 million).¹⁴

A fiscal rescue? No, not really

In late December, it was reported by the *Cleveland Plain Dealer* that Cuyahoga County “discovered” that, during the bond sale¹⁵ process, it collected more money¹⁶ than it actually spent. While it is true that some project costs came in lower than expected, other factors, such as project delays in the Enterprise Resource Planning (ERP) process and reprioritization of other county projects, contributed to lower-than-expected costs within the bond expiration timeframe. What transpired was essentially a county accounting process change, so that the county paid the “leftover” bond money to projects originally funded by General Fund dollars, and then the county will use the General Fund dollars to eventually pay for capital projects that were originally supposed to be paid for by bonds.

The position the county finds itself in moving forward.

Shortfall in the HHS levy funds

According to testimony provided by County Councilman Dale Miller, the county faces a \$15-\$20 million budget shortfall in the Cuyahoga County Health and Human Services Levy Fund.¹⁷ With the smaller of the two health and human services levies on the ballot in spring of 2018, the shortfall was thought to affect the county’s decision on whether to extend or increase the HHS levy. The county decided not to increase the HHS levy, but rather seek a renewal,¹⁸ extend the levy by two years, then go back to the voters in 2020 for a possible eight-year levy. Between now and then, the county can deliberate whether it wants to extend for eight years, or seek an increase.

The revenue that is coming in from the two HHS levies is not increasing. However, the demand on the HHS levy from the opioid epidemic, foster care assignments and an aging population¹⁹ means that there will be more stress on HHS services.

Reliance on one-time money

County Councilman Miller, at a County Council meeting in December 2017, reflected on the recent budget process. He [correctly] noted that the county budget is “heavily dependent on one time revenues

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http://www.communitysolutions.com/assets/docs/County_Budgeting_Matters/CBM_County%20Council%20Amendments_12062017.pdf

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http://www.communitysolutions.com/assets/docs/County_Budgeting_Matters/CBM_County%20Council%20Amendments_12062017.pdf

¹⁵ http://www.cleveland.com/cuyahoga-county/index.ssf/2018/01/cuyahoga_county_had_millions_in_unspent_bond_funds.html

¹⁶ <https://www.documentcloud.org/documents/4340975-20171228-SPECIALMTG-AgendaAttach.html>

¹⁷

http://www.communitysolutions.com/assets/docs/County_Budgeting_Matters/CBM_County%20Council%20Amendments_12062017.pdf

¹⁸ <http://executive.cuyahogacounty.us/en-US/Statement-HHS-Levy.aspx>

¹⁹

https://ccs.memberclicks.net/assets/docs/County_Budgeting_Matters/cbm_county%20budget%20preview_warter%2010062017b.pdf

on both the General Fund and HHS Levy side, meaning that current spending levels are not sustainable long term without additional resources.”²⁰

Indeed, during the past budget process, the county used multiple sources to piece it together, including \$4.5 million of unclaimed funds from county residents (which if left unclaimed, will be transferred to the General Fund), a \$2 million reduction in miscellaneous funds from a contingency account that had been previously carried from year to year, as well as \$7.5 million from the .25 percent sales tax fund to the General Fund, in order to balance the budget. These funds may not be available in 2019 when the county prepares the 2020-2021 biennial budget.

The county will continue to experience some level of uncertainty in how it will continue to maintain service quality and current staffing levels due to state and federal policy decisions. As county demographics continue to show aging at a rapid pace, the stress and demand on the county budget will continue to grow. This means that the county will have to be even more strategic on how to expend existing resources, as well as on identifying new methods of generating revenue. Recently, there has been a large amount of attention focused on the increasing amount of debt the County has issued. Standard & Poor's has given the County its highest bond rating, while Moody's recently announced that they were lowering the County's bond rating. In addition to paying down the debt service, the county will need to identify what its expectations will be for closing the HHS budget deficit that was predicted by Councilman Miller and the Office of Budget and Management, as well as ensuring that the budget process does not consistently rely on one-time use money in order to get by.

Conclusion

The Cuyahoga County budget brought with it many challenges. The county continues to face changes due to the Medicaid managed care organization sales tax elimination (\$21 million annually), reductions in local government funding and health and human services needs continuing to rise. While the state provided some relief to the county in the form of a one-time \$25 million payment to offset the impact, the county chose to spread the amount over at least 3 years, \$4 million in 2018, \$12.5 million in 2019 and \$8.5 million in 2020.²¹ Despite the additional funds, the impact will still be felt on the budget from year to year. County Executive Budish, County Council, Fiscal Officer Dennis Kennedy, Office of Budget and Management Director Maggie Keenan, and other government leaders and workers deserve credit for wading through a turbulent fiscal environment. It is inevitable, though, that they will face tough decisions in the next budget cycle.

²⁰ <https://youtu.be/ZXDRW7GFvqE?t=1188>

²¹ http://council.cuyahogacounty.us/pdf_council/en-US/2018-2019Budget/OBM%20-%202018-2019%20Biennial%20Budget%20Overview%20-%202010.10.17.pdf

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