



FINANCE COMMITTEE

WITNESS FORM

Today's Date: 6/11/2015

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Representing: Butler County Board of Developmental Disabilities

Testifying on bill number: HB64

Testifying as: ___ Proponent
 X Opponent
 ___ Interested Party

Are you a registered lobbyist? ___ YES _X_ NO

Are you submitting written testimony? _X_ YES ___ NO

Comments: I need to be back in Butler County for a board meeting before 6:30pm, so if there's any way to testify before 5pm I would be very appreciative. Thank you.

H.B. 64 Budget Testimony, FY 2016 – 2017
Rick Black, Chief Financial Officer
Butler County Board of Developmental Disabilities
June 11, 2015

Chairman Oelslager and Members of the Senate Finance Committee, my name is Rick Black and I am the Chief Financial Officer for the Butler County Board of Developmental Disabilities and I serve on the Business Managers Organization of County Boards of Developmental Disabilities. *Thank you for allowing me to testify today regarding the proposed elimination of Tangible Personal Property Tax (TPPT) Reimbursement in H.B. 64.*

The proposed phase-out of TPPT reimbursement would have a profound impact on the people with developmental disabilities who depend on the county board. This proposal would affect the County Board's ability to use dollars for federal match to the tune of \$66 Million dollars over this biennium. This throws County Board finances for a loop, as it pulls a total of over ONE HUNDRED MILLION DOLLARS WORTH OF SERVICES OUT OF OUR SYSTEM ON WHAT TURNS OUT TO BE; "A ONE DAY NOTICE!"

This creates fear and uncertainty for families of what services will be lost. In other words, losing this kind of money on a day's notice causes total chaos in a local County Board. Not to mention what it does to the sleeping patterns of the 88 County Board's BM, Supt, and Board members as we try to figure out what we are supposed to do with this kind of catastrophic loss on such short notice. This pushes Ohio's DD safety net, which is already in a time of major transformation; into a significant disruption of service should this proposal pass. I ask that you consider how this could impact the other DD budget proposals in this bill, and how it might impact people with DD in your district.

AN HISTORIC TRANSFORMATION

I want to congratulate and thank the Kasich Administration for including historic increases for people with developmental disabilities in the "as introduced" version of H.B. 64. This is a great step forward in helping one of Ohio's most segregated and vulnerable populations to have a community-integrated life. But just as the administration proposes these additional dollars, they also included a phase-out of TPPT reimbursement that would negate any steps forward for our communities and the DD safety net as a whole. And since the introduction of this proposed budget, it is my understanding that both the Senate and House have proposed funding cuts for Medicaid Services, which exacerbates the funding problem caused by TPPT.

House Bill 64 would reactivate a phase-out of the TPPT. I am here to strongly urge you to mitigate the impact the phase-out of the TPPT would have on CBDD. Please, let me explain why.

House Bill 64 allocates 2,000 new individual options (IO) Medicaid waivers for people with disabilities; 1,136 of these will be used to downsize State Developmental Centers and Intermediate Care Facilities for the Developmentally Disabled, commonly known as an ICF. That leaves 864 IO waivers over the next two years for county boards to use locally. Let me be perfectly clear, these new state funded waivers are only partially funded and are not free to the local county boards—they come with a cost.

As I am sure you know, Medicaid waivers require local match to draw down the Federal Financial Participation (FFP.) The proposed state budget will fund the residential portion of the waivers only, but the local CBDD will assume the responsibility for funding the local match for day program service,

transportation, room and board subsidies, and the additional Service and Support Administration (SSA) required by these additional 2,000 waivers. ALSO, just a side note, did you know that the local county Board also pays DODD a 1.25% administration fee on the TOTAL COST OF ALL THE WAIVERS in their county? SO Yes, they come at a local price! I am not complaining about this arrangement, as DODD and the CBDD have a mutual goal of long-term sustainability of services and supports to people with disabilities, and maximizing federal resources is an important element of our mutual goal.

BUT, with all that said, the reactivated TPPT phase-out introduced in this budget bill undermines this mutual goal, as it reduces local levy collections received by the CBDD:

\$16,000,000	in the first year
\$24,000,000	in the second year.
\$40,000,000	Total for this budget cycle

I will try to put that in perspective for you. \$1.00 draws down \$1.67 in Federal money. Therefore, \$40,000,000, draws down approximately \$66,000,000 in Federal monies. The combining of these two amounts equals about \$106,000,000 of services currently being delivered with these dollars. At an average cost of \$65,000 per waiver, 969 IO waivers are currently being funded with the TPPT and these waivers do not and cannot, just go away, as these waivers provide for lifetime supports.

FUTURE PLANNING

All levies passed prior to 2005 included the TPPT. The tax reform of 2005 initiated the phase-out provision that was to begin in 2011 and run out over a seven-year period. Hard financial times hit us all in September of 2008 and has had lasting effects. When the 2011 budget was passed, the phase-out was accelerated to three years after which CBDD were to be held harmless for any leftover balance. That balance turned out to be \$35,000,000 per year for CBDD. The primary difference between 2015 and 2011 is that in 2011 we had 7 years to plan for the loss of this revenue. The phase-out this time provides no such planning period because it impacts us THIS fiscal year. So now; that money and the services it provides are in jeopardy.

For some reason people don't seem to understand the dollars were collected as a part of our levies and voted upon by our local taxpayers. It is not money that came back to the counties by a state allocation through a budget bill such as this one. Each CBDD got TPPT because it passed a levy....without which; a CBDD would not get TPPT funds. While the State Administration may now view this funding as state revenue, the CBDD's see these dollars as local dollars. Back in 2005; the decision to pay TPPT from GRF dollars was the state's decision that assumed the revenue would be replaced from the Commercial Activity Tax. Please don't punish people with developmental disabilities for faulty tax models used a decade ago. Removing this funding at such a critical time in our system's history would create financial uncertainty and make it very difficult, if not impossible, to plan for the future.

The only way we would have to replace these dollars is to run a local levy for additional funds. Running a local levy in a countywide election is not an easy task. It takes tremendous energy from the families and staff on top of their already demanding family life and jobs. It requires a long-term levy strategy as well as a long-term financial plan as money must be raise through a Political Action Committee, because using CBDD operations money for levies is prohibited. Levies are not something we can run on a day's notice.

It's a fallacy that County Boards are able to pass new levies and generate new money. In the past four years CBDD have run 13 levies seeking additional millage. Eight of those levies, or 62%, have failed. However, CBDD have run 44 renewal levies in that same time frame and 100% of them have passed. The state has already passed higher costs to the local property owners by eliminating the PROPERTY TAX ROLLBACKS; combined with lost revenue from Tax Increment Financing (TIF) incentive districts, and any attempt to replace these funds with a new levy will cost our local taxpayers even more.

MOVING FORWARD

County Boards of DD did the heavy lifting years ago to pass levies to generate the funding to provide the needed services to individuals and their families in our local communities. We are the backbone of Ohio's safety net system; yet in proportion, we receive little funding from the state. We can appreciate that reducing the size and cost of state government is a noble goal, but I'd like to point out that simply shifting the cost to local taxpayers does not actually reduce the tax burden. Rather, this shift makes it more difficult for CBDD to financially plan and creates inequity county by county, which is a real problem because, Medicaid is a State-wide service! SO please stabilize CBDD resources so that we can move forward and plan for the future.

As you have heard, the House appropriated some of the dollars being lost by TPPT to the DODD Medicaid Services line item to ensure TPPT does not disrupt services. While we appreciate that this funding has remained in the Senate's substitute bill, the cut of the Medicaid Services line item and the improper earmark of the TPPT dollars makes this solution unworkable in the current form.

To address this issue, we are asking for the full amount of TPPT for each fiscal year to be restored. \$16 million in FY 2016 and \$24 in FY 2017 for a total of \$40 million during this biennium AND that the Senate ensures that this money is earmarked properly for TPPT relief to the Counties based upon the lost proportion to the counties experiencing these losses during this Biennium.

As the TPPT phase-out will last several years beyond this biennium, this solution doesn't hold us totally harmless or make us totally whole; it only ensures that the TPPT phase-out doesn't impact Ohio's most vulnerable during this biennium and beyond.

I thank you for your time today and I hope I have been able to shed some light on this issue. *Given all the consequences of TPPT, I humbly ask that the state support transforming Ohio's DD system and create a stable financial environment for the CBDD.*

Thank you. I welcome any questions you may have.