County Commissioners Association of Ohio

Serving Ohio Counties Since 1880

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To: Members of the Ohio Senate Finance Committee
From: Julie Ehemann - Shelby County Commissioner
Re: Substitute HB 49 - State Biennial Budget

Good morning Chairman Oelslager, Vice Chair Manning, Ranking Member Skindell, and members of the Senate Finance Committee.

Thank you for the opportunity to speak to you today. My name is Julie Ehemann. I am one of the Commissioners currently serving Shelby County. I have served in an elected position in local government for over 20 years and am currently serving as the second vice-president of the County Commissioners Association of Ohio (CCAO).

Im here to talk to you today regarding an issue in HB 49 that will greatly affect our State, Counties, and transit authorities. I have with me copies of resolutions and letters from 86 counties that share my concerns.

Ohio has benefited over the last several years through a sales tax on Medicaid Managed Care Organizations (MCO). The Federal Government has stated that Ohio can no longer collect this sales tax. In 2016 the Medicaid Managed Care sales tax represented $209 million, or 8.2 percent of all county and transit authority sales tax collections.

The Administrations' proposal utilizes a waiver from the Centers for Medicare and Medicaid Services (CMS) that will allow the state to fully replace its sales tax loss of $597 million, but only provides counties with a one-time allocation that ranges from approximately three months for some counties to more than a year for others. For Shelby County, this plan will mean the loss of over $450,000 in revenue each year.

The proposed Executive budget assumes that this one-time payment will allow Counties to wean themselves off of this income. I must say that for many counties, Shelby County included, it will do no such thing. In fact, Shelby County's 2017 General Fund budget is currently $176,000 LESS than the budget passed in 2002. To assume that this revenue has been supplemental ignores the facts.

Let me provide some background. In 2008 Shelby County experienced a serious downturn in sales tax and other revenue sources as the country began to experience its last recession. Interest income, TPP reimbursement, and LGF were just some of the revenues lost in addition to sales tax. Shelby County officials enacted numerous austerity measures including hiring freezes, voluntary cuts in pay to employees and elected officials, reduced hours of service to the community, and elimination of financial support to entities that were not state-mandated. To date, many of these measures remain in place.

Despite our commitment to fiscal responsibility, the MCO issue is already affecting the future of our county. Recently all three Commissioners met with representatives of Standard & Poor to acquire a bond-rating for a large project. The narrative that accompanied our resulting bond rating clearly stated that our rating was negatively affected by the State's current budget proposal because it does not permanently replace the MCO Sales Tax. This lower rating will hamper Shelby County's borrowing power for years to come.

With current pressures on our child welfare system, the county jail, our justice system and our infrastructure, I and my fellow Commissioners have discussed what we will need to do should the upcoming budget not address this funding gap. Our five non-mandated entities will be the first to be cut.

This means we will cut 4-H programming to almost 1000 youth, conservation services to over 300 farming families, senior services to 950 active senior citizens, economic development services to our many manufacturers and local businesses, and transit services to 4200 riders/month of which almost 50% are elderly or disabled.

Our counties serve in a partnership with the State providing necessary services such as public safety, elections, and child protection to our citizens. As agents of the State, our overriding concern as we look to the future is ensuring that we have stable revenue sources that enable us to realize the vision of that partnership.

CCAO has been working with Senator Dolan and an amendment has been submitted that would build on the franchise fee included in HB 49 that has been approved in a waiver issued by CMS. The amendment would require the state Office of Budget and Management to calculate a new fee rate that would cover the state's needs and generate an additional $207 million annually for counties and transit authorities. These dollars would be redistributed to the local entities based on the amount of Medicaid MCO sales tax revenue they received in 2015 and 2016.

I and my fellow Commissioners appreciate all of the members of the Ohio General Assembly and your efforts to make and keep Ohio a great place to live. We do however, believe this budget proposal would cause harm to our communities and result in fiscal distress to many counties.

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