



Testimony before the Senate Finance Committee on HB 49
(Regarding impact of loss of Medicaid Managed Care Sales Tax)
by Cuyahoga County OBM Director Maggie Keenan
June 14, 2017

Chairman Oelslager, Vice-Chairwoman Manning, Ranking Member Skindell and members of the Senate Finance Committee.

My name is Maggie Keenan and I am the Cuyahoga County Director of the Office of Budget and Management. Thank you for the opportunity to testify regarding the significant impact to our County as a result of the loss of the Medicaid Managed Care Organization Sales Tax revenue.

The portion of our sales tax revenue attributed to Medicaid Managed Care has increased from 4% in 2011 to 11% in 2016; last year we collected almost \$30 million in Medicaid MCO sales tax revenue, which represents about 7% of our total General Fund revenue.

Our General Fund is responsible for supporting the costs of the County's many mandates, including operating the busiest Common Pleas Court in the State of Ohio, a County Jail that as of yesterday housed 2,200 inmates, administering elections for 11% of the State's total registered voters, and, responding to the opiate epidemic that has ravaged every corner of this State. We experienced 43 fatal overdoses in the 13-day period between May 26th and June 7th. County officials are projecting a record 775 overdose deaths in 2017. The reality is that Cuyahoga County – like all counties – has both a legal and moral mandate to respond to this crisis and that has had a substantial impact on so many of the County systems, including, public safety, the courts, the medical examiner's office, the ADAMHS Board, and the County's child welfare department. The number of children currently in out-of-home placement is higher than it's been since 2011.

Cuyahoga County has weathered revenue loss resulting from economic downturns and decreases in Federal and State funding in the past while preserving programs and

services for those most in need, but the current demand – specifically related to the opiate epidemic – is unprecedented and has already shifted us into crisis mode. While we recognize and appreciate the efforts of this body to provide resources to help with the opiate epidemic, we currently cannot provide the services that are needed in the current environment with the loss of the MCO sales tax revenues.

We would like to thank Senator Dolan and many others and appreciate our partnership with the County Commissioners Association of Ohio (CCAO) who have all worked tirelessly to come up with a workable solution through a new proposed franchise fee that provides equal treatment to the state, local governments and transit authorities. Our local transit authority – the Greater Cleveland RTA – is slated to lose almost \$20 million in operating revenue, which will greatly impact service levels. The inability of County residents to rely on public transportation has a direct impact on County operations and our budget.

The Administration's proposal to address the MCO Sales Tax losses fully replaces lost revenue for the state, but provides a one-time allocation for counties and transit authorities. It is crucial that the legislature adopt a solution for counties and transportation services that is equitable to the state. We simply cannot absorb a loss of this magnitude.

While demands on local governments are increasing, County Executive Armond Budish recognizes the budget constraints of the state and is working on coming up with local solutions for Ohio residents as well. I wanted to mention an amendment that the Cuyahoga County Senate delegation (Sens. Dolan, Skindell and Williams) brought forward that would simply increase from 25% to 40% the ability to invest in commercial paper - which puts counties in line with municipalities and school districts. The one-word change, with all things being equal, would increase Cuyahoga County revenues by \$2-3 million dollars while being completely revenue-neutral to the state budget. Cuyahoga County Treasurer Chris Murray provided testimony to this committee last week on this proposed change.

Although the proposed amendment (SC4316 or SC4267) does not come close to addressing the enormity of the MCO Sales Tax loss, it is a simple, low-risk tool that can aid counties at a time when counties are struggling to keep up with demands.

Thank you for your consideration of providing a complete and permanent solution to the MCO Sales Tax loss and approving the county investment amendment.

I am happy to answer any questions as this time.