



STATEHOUSE REPORT

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Auditor of state publicly releases local government financial health indicators

Auditor of State David Yost held a [press conference](#) on January 25th announcing the release of financial health indicators for all counties and 247 cities throughout Ohio. Last week the state auditor emailed financial reports for each county to county auditors, and commissioners were encouraged to access the report for their county through the county auditor. The financial indicators for each county are available online through the Financial Health Indicator webpage at www.ohioauditor.gov/FHI

The financial health indicators are intended to assist counties and municipalities in assessing their financial health and using the data to avoid future fiscal stress. The financial reports are composed of up to 17 financial indicators which analyze significant pieces of financial information. Each financial indicator is designated as either having a “critical outlook (red),” “cautionary outlook (yellow)” or “positive outlook (green).” All the indicators taken together form a so-called “heat map” which reflects the overall financial condition of the local government.

“Our local leaders have performed well in navigating the financial storms they’ve faced, as only 16 cities and one county currently meet the historical thresholds for having high fiscal stress,” Yost said. “The report suggests to me that the financial condition of our cities and counties isn’t as great as some believe, nor is it as bad as some others believe.”

Overall, 82 percent of counties and 92 percent of cities have at least one cautionary or critical indicator. The most frequently cited critical or cautionary indicators for cities and counties related to lack of investment in capital assets/infrastructure (11), annual government-type spending exceeding revenues (9), declining

Regional Legislative Briefings

When: February and March

Why: To bring our members together with their legislators to discuss the counties’ major policy issues and emphasize the importance of the state/county partnership.

Message: Counties need to be assured of fiscal stability – the resolution of the Medicaid Managed Care Organizations sales tax will a critical impact on the ability to maintain that fiscal stability. A strong state/county partnership – helps counties address the opiate epidemic, provide indigent defense representation and conduct our elections with integrity.

Your Briefing: [See Dates Here](#)

Action: personally invite your legislators to the briefing session being planned for your area

general revenue fund year end balances (2), and declining property tax revenues (6).

CCAO, the County Auditor's Association of Ohio and the Ohio Municipal League attended the press conference. A copy of the joint press release from CCAO and the County Auditor's Association can be found [here](#).

The state auditor's office encourages officials with questions or concerns related to the FHI report and/or accompanying data sheets to contact FHIIndicators@ohioauditor.gov. To assist local officials seeking to take a proactive approach to alleviating fiscal stress, the state auditor recommends that they contact the Local Government Services section at ContactLGS@ohioauditor.gov.

CCAO is also interested in better understanding any concerns members have with their financial reports. If you submit an electronic inquiry to the state auditor's office, please send a copy of the email to CCAO to the attention of Curt Pratt at cpratt@ccao.org. If you would like to discuss your concerns regarding financial health indicators with the CCAO staff, you may contact CCAO Managing Director of Research Brad Cole by emailing him at bcole@ccao.org or by calling him at (614) 220-7981.

Gongwer New Service reports on CCAO's Priority Issues

CCAO's priority issues were the lead story in last Friday's edition of Gongwer New Service's Ohio Report. Gongwer editor Kent Chandler and staff writer Dustin Ensinger sat down with CCAO's Policy staff earlier in the week to discuss CCAO's views on major policy issues affecting county government and thoughts about the upcoming state budget process. The article is reprinted in its entirety:

Counties Brace For Loss Of Medicaid MCO Revenue, Contend With Increasing Costs Of Opiate Epidemic, New Voting Equipment

Counties across the state are bracing for a difficult budget cycle.

The pending elimination of sales tax collection on Medicaid managed care organizations, the increased demand for services related to the state's opiate epidemic and the need to replace voting equipment ahead of the next presidential election is likely to put a strain on county budgets, the County Commissioners Association of Ohio reported in its [legislative platform for the 132nd General Assembly](#).

"This is one of the toughest budgets that counties have faced in a long time," Cheryl Subler, managing director of policy at the CCAO, said in an interview.

With counties and transit authorities set to lose about \$200 million in funding because of changes in federal law (See Gongwer Ohio Report, July 8, 2016), the CCAO is calling on lawmakers to make changes to Ohio's sales tax law to make up for the expected loss in revenue.

"We've been in talks with the director of OBM and we understand that the state has a proposal they're going to be putting forth to help transition counties through this time.

We're really interested to see what those details entail because, sadly, we understand the proposal is of a temporary nature and is based on a jurisdiction's ability to deal with the impact of that potential lost revenue," Ms. Subler said.

The state's opiate epidemic has also taken its toll on counties, with a 19% increase in the number of youths in child protective services' custody coinciding with a 17% decrease in state funding. County jails are also experiencing increased risks and expenses associated with housing addicted individuals.

To ease the burden, the CCAO is pushing for the state to pay for psychotropic medications, create regional triage centers and provide direct counseling through local behavioral health organizations.

The price tag on those three initiatives is estimated to be about \$32 million per year.

"One of our biggest problems is we have someone in jail with a mental health issue or an addiction and they fall right through the cracks," CCAO legislative Counsel John Leutz said. "Anything that was being done for them in the jail setting, they don't pick up and continue treatment. They end up reoffending because of their crisis situation and they come back to us."

CCAO officials are also hoping to partner with the state in replacing voting equipment that was purchased in 2005 and 2006 in the same way it did when electronic poll books were purchased.

In that case, the state shouldered 85% of the cost. However, that did not factor in the cost of maintenance and upkeep on the equipment.

"While the state might be putting 85% into the capital costs up front, when you average out of the total cost of operation it's about a 50-50 situation," Mr. Leutz said.

It's unclear what the price tag on the new voting equipment will be, but CCAO officials said they hope to have a figure by April. When the federal government kicked in funds for new equipment under the Help America Vote Act several years ago the cost for new Ohio machines was in the \$120 million range.

Another priority for the CCAO is for the state to ensure a 50% reimbursement rate for indigent defense.

In the previous budget cycle, the state attempted to do that, CCAO officials said. Nonetheless, non-GRF revenue sources underperformed and caseloads were larger than expected.

"Indigent defense is demand driven," Mr. Leutz said. "You really can't set a hard budget number for it. You never know what you're going to get. So we thought we were going to get 50%. The caseload went up; we had it come down to 48%."

To get to 50%, CCAO officials estimate that it will cost an additional \$20 million over a two-year period.

At the end of the day, counties are seeking some sense of financial certainty.

"I think one of the overarching things counties are looking for is revenue stability," Ms. Subler said.

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Biennial Budget Bill coming soon

Governor John Kasich has scheduled a news conference for Monday afternoon at 1:00 pm to present his 2018-2019 operating budget that he will be proposing to the General Assembly. House finance committee will begin hearings on the Kasich budget proposal on Wednesday.

Kasich, along with several of his cabinet members will discuss the budget proposal and then take questions from reporters present afterwards. You can watch the news conference live online at: www.ohiochannel.org

CCAO is particularly concerned about the governor's previous remarks regarding the Medicaid Managed Care Organization sales tax issue. The governor indicated he will be presenting a proposal that would temporarily replace the tax revenue lost to counties and transit authorities based upon a jurisdiction's ability to replace the impact of the loss. Recognizing that state revenues are also impacted by the loss of this sales tax, CCAO will be greatly concerned if the governor's budget proposal provides disparate treatment in its approach to addressing this matter for the state, the counties and the transit authorities.

The governor has already announced that primary and secondary education programs will see an annual 1% state funding increase in the administration's biennial budget. Despite the relatively modest increase, which would equate to about \$100 million a year, the governor said it's a sign that K-12 education is a priority in an otherwise "restrained" budget as the state faces revenue declines.

Watch the
news conference
live online
Monday, Jan. 30
at 1:00 pm on
www.ohiochannel.org

In earlier comments on taxes, House Speaker Cliff Rosenberger said his focus would be on ensuring the tax code is stable and predictable. The House will work to continue to keep more dollars in the pockets of Ohioans so that they can spur the economy, and adopt policies and practices that don't allow for tax shifting but allow for predictability and certainty into the future. The Speaker indicated that the House will not move on the CAT tax or do things on severance tax. The House will focus on issues such as education, mental health and recovery and aging, the speaker said. The Speaker also noted that it was too early to respond to the governor's plan to increase state funding for K-12 education by 1% annually over the next two fiscal years.

Kasich reveals portions of his transportation budget

On Thursday, Governor Kasich announced some details about the transportation budget scheduled to be released next week:

- \$45 million into the Transportation Research Center in East Liberty as part of a continued effort to put Ohio at the forefront of autonomous vehicle technology.
- Funding to support the state's Unmanned Aircraft System Center and Test Complex in Springfield.
- Authority granted for Department of Transportation Director Jerry Wray to vary speed limits on roadways during certain times.

"All of this is a way for Ohio to prepare and align itself for the challenges and the opportunities of the 21st Century," Kasich said.

Hearings for the transportation budget are scheduled to begin on Thursday, February 2nd in the House Finance Committee.

Statehouse, Etc.



Yost declares run for attorney general. Auditor Dave Yost announced on Tuesday that he will be a candidate in the 2018 race for attorney general. He named human trafficking, the opioid epidemic, and supporting law enforcement officers in the performance of their duties as top priorities if he succeeds. Yost talked about his experience as a Delaware county prosecutor where he successfully tried both the county's first capital murder case, as well as the largest drug ring in county history.

"As a former prosecutor, and as your auditor of state, I have fought to find the truth and to bring forth justice," Yost said in a statement announcing his candidacy. "I will continue that fight as your attorney general -- in the courts or in city hall, from the streets to the Statehouse."

Wilson seated in the 7th Senate District. In their first full session since the chamber's opening session, Republican senators voted unanimously to seat Sen. Steve Wilson of Maineville in the 7th Senate District seat. Mr. Wilson replaces former Sen. Shannon Jones, who resigned her seat after winning election as a Warren County Commissioner.

Hearing Schedule



TUESDAY, JANUARY 31

[Joint Committee on Agency Rule Review](#)

(Chr. [Duffey, M.](#), [\(614\) 644-6030](#)), Rm. 121, 1:30 pm

Senate Rules & Reference

(Chr. [Obhof, L.](#), [\(614\) 466-7505](#)), Majority Conf. Rm., 2:00 pm

WEDNESDAY, FEBRUARY 1

House Finance

(Chr. [Smith, R.](#), [\(614\) 466-1366](#)), Rm. 313, 1:00 pm

The panel will hold its first hearing, pending referral, of the state operating budget for FY 2018 and 2019. Members will also hear a presentation from the Legislative Service Commission.

THURSDAY, FEBRUARY 2

House Finance

(Chr. [Smith, R.](#), [\(614\) 466-1366](#)), Rm. 313, 8:30 am

The panel will hold a hearing, pending referral, on the FY 2018-2019 state operating budget. Testimony will be provided by Director Wray, Ohio Department of Transportation, Director Born, Ohio Department of Public Safety and Director Cole, Ohio Turnpike Commission.