

HEALTH AND HUMAN SERVICES LEVY FUND

Cuyahoga County residents have generously approved two levies to support health and human services. The larger of the two levies, **4.8 mills**, was most recently approved in March 2016 for eight years. The smaller levy, **3.9 mills**, was last approved in May 2018 for two years.

Health & Human Services Levy Fund (combined)	2018 Actual	2019 Budget	2019 Estimate	2020 Estimate
Operating Revenue	\$236,771,699	\$243,299,949	\$244,058,895	\$239,582,621
Operating Expenditures	\$72,057,959	\$72,057,959	\$72,057,959	\$72,057,959
Subsidies to Other Funds	\$184,349,257	\$184,688,036	\$189,009,863	\$193,937,945
Unadjusted Ending Cash Balance	\$9,918,284	(\$3,527,762)	(\$7,090,643)	(\$33,503,926)
% Balance to Expenditures	4%	(1%)	(3%)	(13%)

REVENUE DISCUSSION

Revenue generated by the County's two levies is projected to total \$244 million in 2019: less than 1% over what was assumed in the budget. The 2019 revenue has a one-time increase of \$4.5 million due to the return of a cash advanced to the Invest in Children program to fund unspent contractual obligations that remained at the end of 2019. The 2020 and 2021 revenue estimates assume that a request to renew the 3.9 mill levy – which generates approximately \$104 million/year – will be on a ballot in 2020 and approved by the voters. A replacement levy would capture current values, increasing the revenue generated by one mill by approximately \$3-4 million/year.

It is important to note that the 2018 Sexennial Appraisal does not impact the revenue generated by the two levies. **HB920** protects property owners from unvoted tax increases by capping the amount of revenue that can be collected from a voted levy. Should property values increase resulting from the Sexennial Appraisal, the *effective rate* decreases by the amount necessary to maintain existing revenue generation. Additional information on HB920 and its impact on the amount of revenue generated from voted levies can be found on the Fiscal Officer's website (<https://fiscalofficer.cuyahogacounty.us/en-us/house-bill-920.aspx>).

H.B. 157 (Greenspan) would dedicate 50 percent of the remaining surplus in general revenue fund, after allocation to the budget stabilization fund, to a Local Government Adult and Senior Services Fund. Currently, the Department of HHS Division of Senior & Adult Services is primarily funded through a subsidy for the Health and Human Services Levy (88% based on 2018). Based on census estimates, the percent of people aged 65 and over in Cuyahoga County who live in poverty **decreased** from 10.9% of the population in 2010 (during the recession) to 10.7% in 2017. The percent of people living in the County aged 65 and over has increased between 2010 and 2017 from 15.4% to 17.0% based on census estimates. Cuyahoga County has a higher proportion of seniors than the nation as a whole; census estimates show that 14.9% of the U.S. population is 65 and over in 2017, up from 12.7% in 2010.

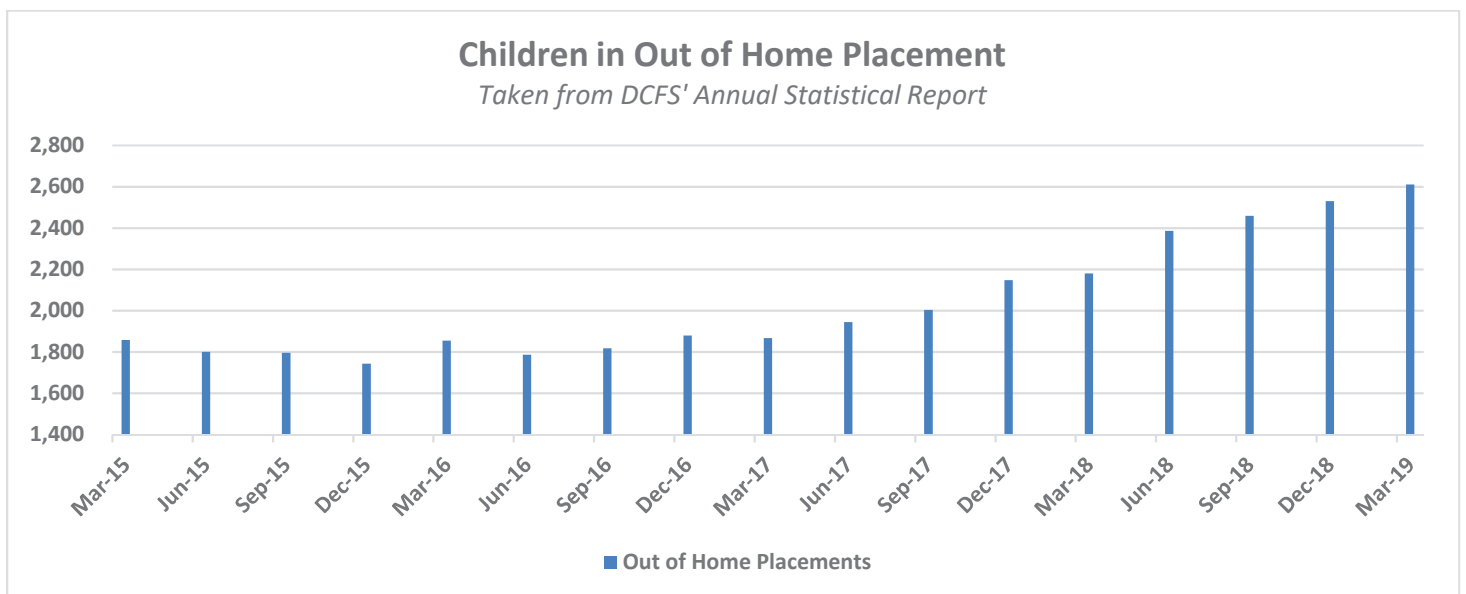
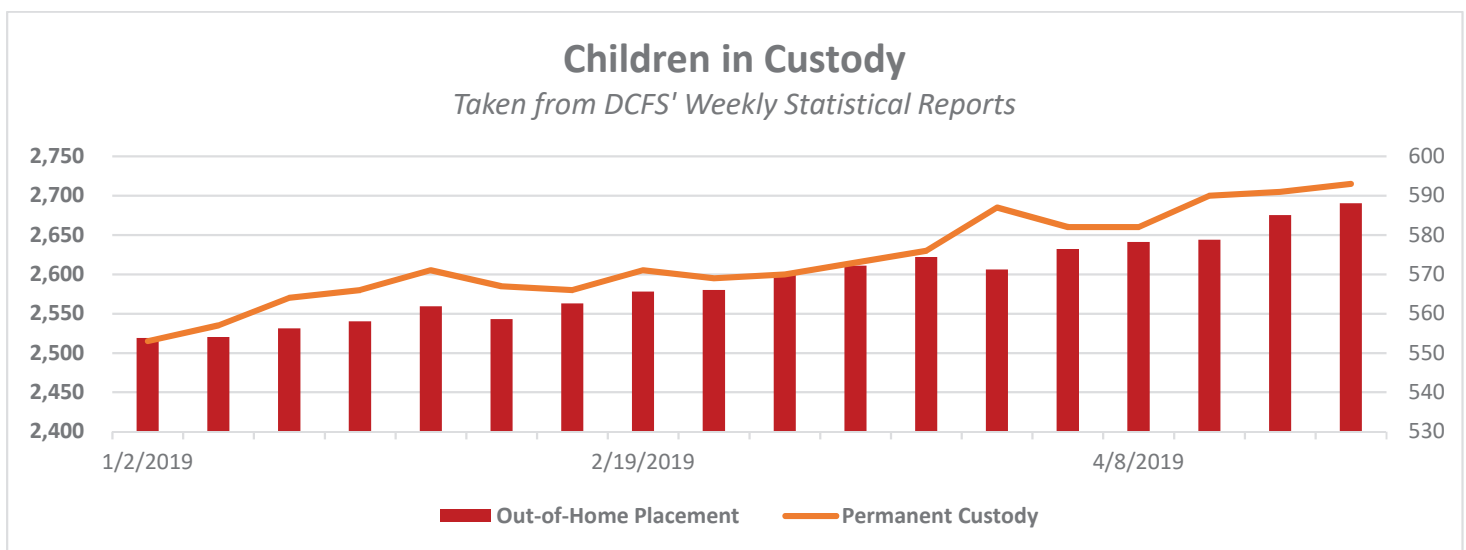


EXPENDITURE DISCUSSION

Expenditures from the HHS Levy Fund include both operating expenditures – the County's elected support for the Alcohol, Drug Addiction, and Mental Health Services Board (estimated to total \$39.4 million each year between 2019-2021) and the MetroHealth System (estimated to total \$32.5 million each year between 2019-2021) – as well as subsidies to other County funds to support operating expenditures. The subsidies provided to other County funds represent the difference between Federal, State, and other program revenue and the cost of operations for agencies and departments that provide health and human services throughout the County. **HHS Levy expenditures represent less than one-quarter of total County spending in the areas of social services, health and safety, and justice and public safety.**

There should be some expectation of variation in the subsidy amounts from what was planned in the budget. Non-local revenue that supports human services activity is dependent on the type of services provided and the demographics of the individuals receiving those services. Further, there should be an expectation of variance relative to non-local revenue, as this will be based on service levels not only in Cuyahoga County, but in counties throughout the State. The State redirects funding from counties that demonstrate difficulty in spending their annual allocations (Cuyahoga County has never experienced said difficulty) to counties with expenditures more than revenue amounts. This redirected revenue is nearly impossible to project but will lessen the burden on the HHS levies.

The HHS Levy expenditure projection of \$261 million is \$5 million (1.7%) over the budget and has increased by about \$5 million from what was projected for 2019 at 3rd Quarter last year. This increase is largely attributed to two activities. HHS/Children and Family Services was provided to, among other goals, hire an additional 40 social service workers in response to steadily rising caseloads. Additionally, the Invest in Children fund has a one-time \$4.5 million 2019 expenditure to repay the Health and Human Service levy for an advance provided in late-2019 to fund unexpended contractual obligations.



ENDING CASH BALANCE

The HHS Levy Fund is projected to end 2019 with a negative cash balance of \$7 million. The projected ending balance does not comply with Section 707.01 of the County Code, which requires a fund balance equal to no less than 10% of annual expenditures. The depletion of the cash balance is driven by a projected operating deficit – meaning expenditures are more than revenue – totaling approximately \$17 million. This size of the operating deficit has decreased from what was projected at 3rd Quarter by about \$2.3 million. **Based on current estimates, the cash balance in the HHS Levy Fund is projected to be depleted before the end of 2019 and a General Fund subsidy would be required to cover projected expenditures.**

Were the General Fund to subsidize the HHS Levy Fund in 2019, the ending cash balance in the General Fund would decrease to \$124 million: 26% of total expenditures. This complies with County Code reserve requirement for the General Fund (Section 706.01).

The estimate for the 2019 ending cash balance has decreased by approximately \$11 million from what was reported at 3rd Quarter of 2018. This is due to an increase in projected expenditures in 2019, largely driven by HHS/Children and Family Services, but also HHS/Senior and Adult Services (Options Program).

HHS LEVY FUND

