What Might It Mean If All Agencies Took at 25% Funding Cut?

Recent financial projections show that if appropriation levels for FY 2010 and 2011 were to remain flat, the State of Ohio would face a $7.3 billion deficit. If this $7.3 billion deficit were to be addressed solely through cuts in agency budgets (and for the purposes of this analysis, debt service, tax relief and Medicaid were not cut) and every agency were to take the same percentage level cut, each agency would take a 25% cut in agency funding levels.

Many have asked what a 25% cut might mean to the services that state government currently funds. Agencies were asked to provide scenarios that describe the program reductions which might be necessary if they had to operate with such cuts. This compilation of materials, which the agencies quickly assembled, is only for illustration purposes – it is not intended to in any way reflect recommendations of the agencies or decisions about how the State will deal with the current projected deficit.

The Ohio Department of Education

The Department of Education's budget would have to be reduced by $2.0 billion in FY 2010. These funding levels would be similar to funding in FY 2001. This does not account for income tax relief.

A per-pupil reduction of all SF-3 funding for school districts and community schools would have to be made totaling about ***$840 per pupil in FY 2010 and $870 per pupil in FY 2011***. This would undoubtedly force many schools into a deficit situation with their only option being entering fiscal emergency and requesting solvency assistance funding from the state. It is uncertain how much in solvency funds would be requested but demand could exceed solvency assistance resources with a current cash balance of only $10.8 million. If all requests could not be made districts may not be able to make payroll since about 85% of their budgets are made up of payroll.

Joint vocational school districts provide career-technical programming to many high school students, and are expected to receive state funding totaling about $250 million in FY 2009 so a 25% cut would result in only about $187.5 million available for FY 2010 and for FY 2011 to fund basic aid, special education weighted funding, career-tech weighted funding, and guarantee funding to joint vocation school districts. This will impact an unknown number of programs and students – could see an elimination or reduction in general operations, including staffing.

MRDDs and institutions total $49.2 million in FY 2009 mostly for special education weighted funding and a small portion for career-tech weighted funding in institutions. This funding would be reduced by about $12.3 million in FY 2010 and flat funded in FY 2011. This could result in an elimination or reduction in general operations, including staffing. In essence, county MR/DD's would have to pick up a greater share of the cost for providing these services or possibly even see the elimination of services by county MR/DD's, resulting in local districts having to pick up the cost.

Bus purchase funding would be cut by $3.3 million, reducing the ability of districts to purchase new buses and to update their fleets.

Additional reductions of 25% in FY 2010 and flat funding in FY 2011 would result in the following:

- Alternative Education: Reduction of $2.9 million in FY 2010 and flat funding in FY 2011 would force many of these programs to close. These programs serve the most at-risk population of kids and included grants to districts to serve this population. These cuts could result in possible reductions or elimination of programs, with rural areas being especially at risk.
- School improvement: Reduction of $3.3 million in FY 2010 and flat funding in FY 2011 would reduce school improvement efforts around the state. This would result in a statewide reduction in funds for ESC's. These funds are used to provide technical assistance to the scools.
- GED: Reduction of $386,000 in FY 2010 and flat funding in FY 2011 could result in students not being able to take their GED test to receive a high school diploma.
- Early Childhood: Reduction of $9.1 million in FY 2010 and flat funding in FY 2011 could eliminate services for these students. In FY 2008, 6100 kids were served by these programs. Cutting these funds could potentially impact either the number of available slots for public preschool AND/OR permit the same number of slots but less subsidy per child.
- Preschool Special Education: Reduction of $20.8 million in FY 2010 and flat funding in FY 2011 would be the equivalent of eliminating funding for 500 of the approximate 2,000 units currently being funded.

Ohio Board of Regents

1. The Base: At current FY 2009 funding levels, higher education would expect to receive $2.83 billion in state support in the FY 2010 operating budget.
    a. A cut of 25% on a $2.83 billion base equals **$707 million**.
2. Of the total $2.83 billion, approximately $364 million is provided for debt service, which is a legal obligation, for which payment cannot be deferred or reduced.
3. Assuming that debt service is exempt from a cut, $2.47 billion would then become the base against which $707 million in cuts would be applied.
    a. Reduce state support per full-time student statewide by $1,987 (there are 356,000 full-time students are enrolled in the University System of Ohio);
        i. This would reduce state support per student to its lowest level, in constant dollars, in the recent history of the state;
    b. Reduce Ohio State University's state support by an estimated $119.6 million;
    c. Reduce the University of Cincinnati's state support by an estimated $55 million;

   d. Reduce the state's need-based aid programs by an estimated $70 million;
   e. Reduce Ohio's agricultural research programs by almost $12 million; and
   f. Pare Ohio's cooperative extension program by $8.4 million, etc.
4. Loss of funds of this magnitude could be addressed in one of two ways – with or without offsetting fee increases.
   a. <u>In the absence of offsetting fee increases, a $707 million cut would result in</u>:
      i. A rapid depletion of campus fund balances;
      ii. Massive layoffs of faculty and staff; and
      iii. Closure of many academic instructional and research programs, and perhaps even campuses.
   b. <u>Offsetting fee increases would have the following impact</u>:
      i. Student tuition and fees would have to increase, on average, almost $2,000.
      ii. An increase of this magnitude would cause:
         1. Tens of thousands of students to drop out of college;
         2. Thousands of others to switch from full-time to part-time status, and
         3. Others to increase their student debt burden significantly.

Ohio Department of Job and Family Services and Early Childhood

With limited staff at the local level, the wait for food stamps and child care services will likely exceed reasonable limits leaving people waiting for services when the need is immediate.

ODJFS provides hundreds of millions of dollars for services administered at the local level. There would be a severe reduction in non-federal share (state dollars) that would likely stretch resources at local JFS office forcing counties to consider or begin workforce reductions.

When receiving cash benefits, the federal government requires those individuals to seek employment or they risk losing benefits. Due to the difficulty some encounter finding work in a marketplace with a 6.8% unemployment rate, some job seekers are less likely to secure long term employment. This unique scenario places Ohio workers at risk of losing benefits and places the state at risk for significant federal workforce penalties unless the rules are relaxed immediately.

Early Childhood Services

Early care and education is CRITICAL to Ohioans being able to work.

The reduction of the availability of child care assistance will affect Ohioans ability to work or cause them to make choices that jeopardize the health and safety of their children.

- Based on the assumption that there is a reduction in TANF funding, early care and education (child care and the early learning initiative) will receive a $300,000,000 cut for SFY 10 and SFY 11. Approximately 56,000 children, a 40% reduction, will not have access to early care and education services.

- Assuming a 25% reduction to GRF funds for early care and education services (child care and early childhood education), an additional $30,000,000 will not be available to support another 5,600 children. This means that in the course of the year Ohio will go from supporting 119,000 children with early care and education services to 57,400.

Home visiting:

- Based on the assumption that Help Me Grow will not receive funding through TANF ($54 million) and with a 25% cut to the GRF for this program, Ohio will be forced to end our newborn home visits to all first time and teen parents and nearly eliminate our home visiting programs for families with children "at-risk" of developing a delay or disability.
  In SFY08, 34,597 newborn visits occurred.
  In SFY08, 35,787 families received on-going home visiting and parent education.
- In SFY10 and 11 without TANF and a 25% cut to GRF, we would only be able to provide on-going home visiting and parent education to approximately 4,000 families.

Ohio Department of Aging

Impact of a 25% Reduction in State Funding to Aging Services

PASSPORT -

Enrollment in PASSPORT, Ohio's home and community based services alternative to nursing facility placement, would be restricted.

In FY 2010, about 6,480 people would not be served who would otherwise be served at full funding. In FY 2011, an additional 6,800 would not be served. Most of these people would not wait for service. Additionally, the average wait-time would quickly become greater than 5 months. In FY 2011, the average wait time would be more than 7 months. They would have no choice other than to move to a nursing facility, at a cost to the state that is three times that of PASSPORT because nursing facility care is a federal mandatory Medicaid service.

	FY 2009	FY 2010	FY 2011
Monthly New Enrollment	830	330	350
Average Monthly Caseload	28,547	28,815	23,370
Total Unduplicated Served (Slots)	37,770	33,160	29,200
End of Year Waiting for Service	-0-	2,500	2,800

Assisted Living –
GRF Funding for Assisted Living would be about $7.5 million each year, down from the current $9.5 million for FY 2009.

No new people would be served. Significant overspending would result from trying to serve the existing caseload. ($3 million in FY 2010 and $1 million in FY 2011.) Individuals eligible for assisted living will either remain in nursing facilities (half of all current assisted living enrollments are nursing facility residents) or will have no choice for care other than a nursing facility.

PACE

Ohio's Program of All-Inclusive Care for the Elderly (PACE) is a capitated program that provides primary, acute, and long-term care for a nursing facility eligible population. No new PACE sites could be established in Ohio.

GRF funding would be reduced from $9.7 million currently in FY 2009 to about $7.7 million. We wouldn't be able to enroll anyone in the two existing PACE sites in FY 2010. The caseload would have to be reduced from about 690 people at the end of FY 2009 to about 425 by the end of FY 2010, or about 265 people. This disenrollment would likely be greater than the normal rate (attrition).

In FY 2011, we would be able to enroll just under 20 people each month, gradually building the caseload back to about 640 people at the end of FY 2011.

Senior Community Services and Alzheimer's Respite
Ohio will not meet its federal maintenance of effort requirements to receive Ohio's allotment of funds under the Older Americans Act. Leaving federal money (as much as $45 million) "on the table" will force service cutbacks at senior centers and other local providers for key services such as congregate and home-delivered meals, transportation, in-home services, adult day services and many others.

This could put the Department of Aging at risk to lose the whole Older Americans Act grant, resulting in the department being unable to serve 200,000 older adults.

Residential State Supplement
Caseload would have to decline from the current 1,900 to about 1,500 at the end of FY 2010 and about 1,400 at the end of FY 2011. The rate of decline is faster than normal attrition. No new enrollment could be accepted for the program until the last few months of the biennium.

Internal Costs
The Ohio Department of Aging will be forced to manage a reduction of 25% in operating costs. This would mean reducing the department staff by 10%.

Ohio Department of Mental Health

At the Department of Mental Health, the offices of Children's Services and Prevention, Forensic Services and Residency Programs would be closed, eliminating these programs. Other divisions will be impacted with significant reductions.

Community linkage staff will be eliminated from eleven prisons; this would make the re-entry process more difficult for those leaving prisons and could result in individuals leaving prison without being linked to appropriate community mental health providers.

Services for the uninsured would be eliminated in Ohio counties that have no local funding. Brown, Gallia, Jackson, Meigs, Adams, Scioto, Lawrence and Medina Counties would have no state or local funding; there would be no publically funded mental health services in these counties, most of which are Appalachian counties. In counties with local funding, community mental health services would be severely restricted.

Housing options for consumers with severe and persistent mental illness (SPMI) would be severely restricted and/or eliminated in most parts of the state. This would likely lead to an increase in the homeless population.

ODMH would be forced to close an additional hospital and/or alter the operational structure of one hospital. This is in addition to the closures of the Appalachian Behavioral Health Cambridge campus and the Twin Valley Behavioral Health Dayton Campus in June 2008.

Nursing home placements of individuals with SPMI would grow, resulting in an increased demand on this system.

There would be increased pressures on ODMH psychiatric hospitals regarding admissions and greater lengths of stay due to greatly diminished local resources.

Ohio Department of Alcohol and Drug Addiction Services

- A 25% cut to GRF will also likely result in an additional reduction of federal funds during the biennium due to the required State Maintenance Of Effort. The impact listed includes the impact of both GRF and our federal block grant potential reductions.

- Our system is based on a partnership with county ADAS and ADAMH boards who plan at the local level and providers who deliver direct services to our consumers. This level of reduction will significantly impact the viability of our already financially strained provider system of care.

- An across the board 25% cut will eliminate alcohol and drug treatment services to over 10,000 consumers (10% of those served in SFY 2007). The inability to provide these services will be realized through increased costs within other systems such as the child welfare, healthcare and the criminal justice system, in addition to lost wages and productivity.

- A 25% across the board cut to Prevention services would significantly impact services to school aged youth, college students, community based prevention initiatives, and community coalitions, This would result in a reduction of over 15,000 youth, college students and community residents not receiving prevention services based on our number served during SFY .

- Drug Courts, TASC and similar linkage services provide an essential role in providing treatment opportunities, ensuring support and transition to the criminal justice population to reduce recidivism. This reduction would impact approximately 3,500 individuals who would no longer be served through these programs.

- In addition, our outreach services and HIV programs will be significantly impacted by an across the board cut and would reduce prevention education services to over 10,000 consumers who will not receive services, ultimately presenting the potential for increase in HIV/AIDS and sexually transmitted diseases.

- The Federal SAMSHA Block Grant accounts for approximately 38% of our annual budget of $188 million. All states are required to comply with the "Maintenance of Effort" which requires our department to maintain a two year aggregate of state expenditures. This reduction can result in an ADDITIONAL loss of $15 million dollars which will impact critical services to Ohioans.

Ohio Department of MRDD

ODMRDD IMPACT ANALYSIS: FY10 appropriation at 75% of FY2009

Such a scenario would have serious and immediate impacts, which would be very difficult for individuals, families, communities, providers, and local and state agencies responsible for the MRDD service delivery system.

ODMRDD has made no decisions and is working with partners and stakeholders collaboratively as the system confronts the unprecedented budget environment.

While other effects would likely emerge as the MRDD Community works through this very challenging here are SOME major impacts:

- We would be forced to consider reducing waiver expenditures by 10 percent. This would affect up to 18,000 individuals and families, the providers that serve them, and the county and state staff that administer their individual service plans. We have already stemmed the historical, and some would argue, expected annual growth in the average costs of waivers. Currently we don't have mechanisms in place to implement reductions of this magnitude.

- Reductions of this magnitude could threaten the State of Ohio's ability to maintain compliance with the Martin Settlement Agreement. It appears that funding for 700 individuals yet to be enrolled would not be there. We are required by the lawsuit's settlement to enroll 1500 individuals by the end of this biennium.

- Currently, the State of Ohio supplements county board's local tax revenues. For many tax-poor urban and rural counties, ODMRDD adds to this subsidy support in an effort to compensate for the variability in local tax revenues. Cutting county board subsidies by this level would probably devastate most non-Medicaid programs operated by or funded by these County Boards of MRDD. The following programs would be impacted, with some jeopardized or eliminated altogether in many communities:

  - Early Intervention
  - Supportive Living
  - Non-Medicaid Day Services
  - Family Support Services (flexible funds to support families)

- We would be forced to consider reducing our Development Center capacity by half. Of the 1,459 individuals being served in DCs as of December 1, 2008, ***725*** would need to be placed on Medicaid home and community-based waivers and moved into the community. This process would involve significant resources to manage and support, and would have a serious economic impact on communities that rely on DCs as an employer and as a service resource.

Ohio Department of Health

Reduction Summary Impact Statements

- Staffing reductions would be required across the majority of programs receiving GRF funding.
- GRF reductions would result in a loss of federal dollars based on grant matching guidelines.
- Programs such as Healthy Ohio, BCMH and Help Me Grow will be faced with either reducing the service levels provided to clients or reducing the numbers of clients served.
- Staffing reductions in the Health Care Quality Assurance line item (440-453) would result in the department no longer being able to perform the Federal Medicare/Medicaid surveys in the state of Ohio. Therefore, the state of Ohio would be in violation of the 1864 Agreement with CMS, and this would have a direct impact on the Medicaid Budget for the State of Ohio. Under the CMS Agreement between the State of Ohio and the Secretary of Health and Human Services, the Governor will be obligated to inform the Secretary that Ohio will not be able to meet contractual obligations relating to health care surveys.
- Programs and activities such as Rabies baiting, and the inspection and licensure of Manufactured Home Parks, Recreation Camps, and Marinas may be eliminated.
- Subsidy payments to Local Health Departments and other entities focused on health promotion and prevention would be reduced. Reduced funding would lessen the effectiveness of these programs on which many residents across Ohio depend.
- Vaccine and drug purchases would be reduced which would increase the health-risk factors for Ohioans and may lead to increased health care costs.

The department will continue the process of aligning its available resources with the Governor's and department's priorities.

The Ohio Department of Rehabilitation and Corrections

Impact on Funding

- Would require a reduction of GRF funding of $369,352,866 from FY09 funded level (excluding Debt Service)
- Such a reduction would lead to a deficit of $386,996,368 in FY10 based on projected continuation funded level (excluding Debt Service)

Impact on Staffing

- Would require the elimination of 5,237 positions, which includes security personnel (corrections officers), parole officers, mental health professionals, education opportunities and other programming team members.

Institutions

- **Crowding**: Would result in the closure of six institutions (310 staff each)
  - Crowding increase from current level of 134% to 164% in FY10
  - Triple-bunk inmates as a result of crowding
  - Require substantial investment in infrastructure, such as sewage treatment
  - Consider invoking Emergency Release Authority (ORC §2967.18)
- **Mental Health**: Potential non-compliance with the *Dunn* decree
  - Mental health staff would have reduced interaction with non-severely mentally ill offenders, limiting their ability to prevent crisis situations
- **Medical**: Potential non-compliance with the *Fussell* agreement
- **Eliminate programming in:**
  - All unit management
  - Most education
  - Religious services
  - Alcohol and other drug treatment
  - Recreation
  - Most farm operations
  - Most Ohio Prison Industry
- **Completely centralize all business and personnel offices**

Department of Youth Services

▪ Close 2 Large Facilities:	39.5m
▪ Eliminate Private Fac.	2.7m
▪ Eliminate Parole:	15.7m
▪ 33% cuts RECLAIM, 510, CCF:	22.6m
▪ 25% cut to central:	5.0m
TOTAL CUT:	85.6m

GRF funding at 75% of FY09 levels would necessitate the closing of 2 large juvenile correctional facilities and 1 private facility. This is an approximately 30% reduction in bed space. Additionally, eliminating one private facility would result in the loss of fifty beds.

There would be an elimination of all parole supervision and ancillary services (including case management, residential placements, and wrap-around services). In CY 2008, the average number of kids on parole as 1509. This would result in a significant number of kids without parole supervision.

There would be a 33% cuts to subsidies to counties for community-based program alternatives for youth who are adjudicated delinquent. This would result in significant community and county layoffs. With fewer local options they would be forced to send more kids to DYS.

A 25% cut to the central office would result in the loss of 50 employees.

This would result in decreased public safety, exacerbated by the reduction of county options for serving youth in the least restrictive setting and at the lowest cost. Lastly, DYS would experience increased federal court involvement in the pending *S.H. vs. Stickrath* case.

Ohio Department of Development

1) Thomas Edison Program
A 25% reduction would equate to a reduction of about $4.2 million. This would involve the closure of three or four Edison centers or Edison Incubators. The Edison Incubator program houses about 350 early stage start up companies. A 25% reduction would result in reduced new company formation of at least 8 companies, and potential closure of 3 Edison Incubators. Employment growth as a result of Edison Center activities has average 2,900 per year. A 25% reduction would result in a reduction of at least 750 jobs per year. Private investment from the Edison Centers has been almost $700 million. A 25% reduction would result in a minimum of $100 million.

2) The ODOD Rapid Outreach Program provides support for business expansion throughout the state. A 25% reduction would equate to $2.5 million, reducing our ability to directly support at least 10 Ohio businesses; reducing total capital investment that can be leveraged by those companies by $452 million; and reducing our job creation and retention capacity (meaning we would not be able to create 1,250 new jobs or retain 2,251 for about $58 million in payroll, based on the proven records of our programs.) These reductions would inhibit ODOD's ability to be flexible and responsive in response to business requests. These dollars are flexible and able to meet business needs, leveraging private sector investment that would not have occurred other wise

3) The Third Frontier Action fund provides support for research commercialization activities by Ohio companies and Universities to translate research into products/services and Ohio jobs. A 25% reduction would equate to a reduction of $4.2 million, reducing support for at least 4 projects that would impact on 300 jobs, and reducing private investment by at least $17 million. These reductions would limit the ability of Ohio to attract and nurture entrepreneurs and foster a culture of innovation at our universities. This is an area where the number of projects increases the possibilities of success.

4) Ohio's Workforce Guarantee provides support for businesses to train both incumbent workers and new employees. A 25% reduction would equate to $3.2 million, resulting in 3,200 workers in at least 63 companies not receiving training.

5) A continuation of the credit contraction would impact on the Department in the inability (or inefficiency) of bond issuance for a full range of programs designed to support business growth and investment.

Ohio Department of Natural Resources

The following would represent a 75% reduction request,

A. Parks GRF would drop to levels where there would need to be mothballing or closure of strategic chosen facilities.
B. State Forests (smaller) would be transferred to DOW for operation and upkeep.
C. Division of Water would not be able to provide match for federal grant for Flood Plain Management Program.
D. Soil and Water would not be able to provide match for first 6 months of the biennium.
E. Oil and Gas and Coal regulatory would not have enough operating budget for first 3 months of biennium
F. Soil and Water would have no match for districts. CREP program would be eliminated.
G. Oil and Gas will not have funds to meet regulatory obligation. Life health and safety.
H. Coal regulatory program would be effected (slower permit issues) and less environmental controls.
I. Dam Safety minimum inspections would be able to be done. Move to 10 year inspection cycle.
J. Parks would possibly need to merged with a dedicated funded division.
K. DNAP would be merged to another dedicated funded division.

Ohio Department of Agriculture

Food Safety Division

The ODA Food Safety Division works with local health departments to oversee the food safety inspection of food processing, warehouses, and food retail establishments (except for restaurants, which is administered by Ohio Department of Health). Currently, ODA has 14 inspectors. If GRF were reduced by 25%, the agency would need to reduce that number by 3 – which would mean that ODA would no longer be able to meet its commitments under two federal cooperative agreements, thus losing another $170,000 or approximately another 3 staff members. Therefore, our staff would be reduced from 14 to 8 people. This would have a devastating effect on the division's mission of ensuring wholesome and safe food. It is likely that the division would need to eliminate the inspection of warehouses, farmers' markets, home bakeries, and most consultations to industry. Not only would this increase the risk of unwholesome food, it would also affect many of the firms ability to stay in business.

Meat Inspection

The ODA Meat Inspection Division has the responsibility of inspecting all state licensed meat processing plants and other facilities that process meat. Currently the Division inspects 203 facilities, with the vast majority being small, independently owned businesses. The Division currently has approximately 86 inspectors. A 25% reduction in GRF (which would mean a corresponding 25% reduction in the federal match) would result in the need to layoff 36 meat inspectors, not fill 2 veterinary supervisor positions, not fill one agricultural manager position, and layoff at least one enforcement agent. The impact of a lay off would result in the division having to delay or deny services to the 76 establishments that harvest livestock and poultry. Doing so would interfere with the normal flow of inspected and passed meat and poultry to the marketplace. The meat and poultry industries, in particular smaller firms in smaller communities, would suffer serious financial hardship. This reduction would also mean a reduced capacity to monitor for foreign animal diseases and testing for certain food safety threats, such as e coli.

Adjutant General's Department

Impact of Hypothetical 25% GRF Cut in FY 2010-2011

- Total dollar reduction from previous budget guidance: $1,939,769
- Total reduction from 2009 funding: $3,232,949
- Air National Guard line must be protected:
    - Every remaining dollar has a 3-1 federal match
    - Minimum staffing levels are federal requirements (risk losing the air bases if state support drops below minimum requirements).
- Bulk of cuts from Central and Army lines
    - Those lines split personnel (60%), utilities (30%) and maintenance (10%)
    - Cuts will zero-out maintenance funds (only the most critical, emergency repairs will be performed).
    - Closing facilities would have small impact on costs (Average annual utility cost savings by closing a National Guard readiness center: $15,000). Those costs would be offset by having to operate the remaining readiness centers on more weekends to accommodate training requirements.
    - Cuts would virtually eliminate 100% GRF positions (There are 94 pure GRF positions in the ADJ budget, equaling about $5.1 million in 2009. Average annual salary and benefits in the Army and Air lines is $56,000; to reach the 75% level, 55 of 94 positions would need to be eliminated. Offsets for contracting for services and unemployment costs to the agency would require additional cuts).

- Impacts on the Ohio National Guard:
    - The most significant impact is that these cuts will severely strain our ability to maintain the readiness of our forces and to respond in a timely manner when needed. In addition to the virtual zeroing out of maintenance funding accounts, the personnel cuts will impact custodial and maintenance workers and finance and contracting personnel that are essential to maintenance operations.

- Facilities will deteriorate; recruiting and retention will be impacted; training will be strained as units overcrowd remaining facilities.
- Risks federal force structure support. If the state cannot meet its obligations to support the National Guard, the federal government may seek to reduce the size of the National Guard in Ohio, putting at risk the $500 million ($250 million Army; $250 million Air) in federal dollars that come to the state on an annual basis, and reducing the capabilities available to the Governor for disaster response and other needs.