



May 2017

Budget

Ohio budget on the brink

Federal cuts could threaten many Ohio programs



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Executive Summary

KEY FINDINGS:

- More than \$1 of every \$3 in the total state operating budget comes from the federal government - more than \$25 billion a year.
- Congressional actions - from repeal of the Affordable Care Act to changes in federal appropriations - could hurt critical services in Ohio.
- The federal government pays two-thirds of the cost of Medicaid, the largest single insurer in Ohio that covers a quarter of all Ohioans.
- The largest share of Ohio's human services is paid by the federal government, from foster care services to child care aid.



Executive Summary

State and federal governments work together to protect the public and ensure well-being. Proposals Congress will consider in the coming months threaten to destabilize this partnership by cutting funds Ohio uses to provide health care, help children thrive, fix roads and bridges, ensure clean water, assist families and care for veterans. As the president and Congress turn to the federal budget, essentials that Ohioans depend on face profound threats. Billions of federal dollars that support businesses, jobs, services and economic activity throughout Ohio are at risk.

Two driving forces are at work. One is the shift of power in Washington to Republicans, who seek to reduce spending, cut taxes and repeal the Affordable Care Act, among other things. The president has proposed cutting billions of dollars from federal programs for education, infrastructure and health and human services. The House just passed a law to repeal the Affordable Care Act and dismantle the program structure of Medicaid. This threat is compounded by automatic cuts imposed by the Budget Control Act of 2011. This type of automatic cut is called a 'sequester.' The cuts imposed by the sequester have been so

onerous that they have been relaxed - to some extent - every year. However, no reduction is planned for 2018.

Federal budget cuts hurt Ohio. Just over \$1 of every \$3 in the state operating budget comes from the federal government. In this report, we review the federal budget process and consider what proposed changes may mean to Ohio. Table 1 shows the level of reliance on federal funds across important state agencies.

Federal revenue in the state budget is only part of the federal funding that comes into the state. Programs like Social Security directly support individuals, and grants go to cities, towns, non-profits and other entities to support educating our children, maintaining our transportation systems and other essential services.

The federal budget process - The federal process is different from that of the state. The president presents a budget plan that outlines priorities, and Congress passes a budget resolution with general parameters upon which various spending plans are to be based. Sometimes separate plans are not produced, but one large plan is passed. Other times no

Table 1

Federal funds in Governor Kasich’s 2018-19 budget proposal

Agencies with the greatest share of federal funding	2018	2019	2018-19 budget	% of total
Ohio Department of Medicaid	\$17,340.5	\$17,766.4	\$35,106.9	69%
Department of Education	\$2,030.3	\$2,043.9	\$4,074.2	18%
Developmental Disabilities	\$1,777.8	\$1,846.9	\$3,624.7	61%
Ohio Department of Job and Family Services	\$2,340.2	\$2,347.6	\$4,687.8	70%
Ohio Department of Health	\$425.1	\$425.8	\$850.9	66%
Development Services Agency	\$373.2	\$373.2	\$746.4	32%
Opportunities for Ohioans with Disabilities	\$212.6	\$215.9	\$428.5	82%
Mental health and addiction services	\$147.4	\$147.4	\$294.8	21%
Department of Public Safety	\$150.5	\$142.8	\$293.3	20%
Attorney General	\$87.2	\$87.2	\$174.4	26%
Ohio Department of Aging	\$71.2	\$71.2	\$142.4	76%
Ohio Environmental Protection Agency	\$35.8	\$35.9	\$71.7	19%
Department of Natural Resources	\$22.1	\$24.7	\$46.8	7%

budget plan is passed, and instead, ‘continuing resolutions’ are used to allow the government to continue to operate without major changes.

Discretionary spending, mandatory spending

- The annual federal budget resolution and spending bills generally apply to ‘discretionary’ programs. Congress has discretion over level of spending in these programs. ‘Mandatory’ programs, like Medicare, Social Security, interest on the debt, taxes and low-income relief, are tied to the establishing legislation:

changes have to come through legislation and Congress can’t make changes through the budget resolution.

The Sequester - The Budget Control Act of 2011 was developed by a bipartisan committee to reduce the budget deficit. If they did not succeed, the pre-ordained outcome was to be a series of automatic, across the board cuts, year-over-year, for 10 years. This process is called a ‘sequester.’ They didn’t agree, so the sequester kicked in. The first sequester cut



occurred in 2013 and is to continue through 2021. Congress has changed the rules to prevent the full effect of the cuts, but there is not protection in place for 2018 and beyond.

Programs described in this report account for 97 percent of federal funds in the Ohio operating budget. Concentrated in health, human services and education, they help with basic needs and create opportunity for families, children, seniors and people with disabilities. Their purpose is usually to keep families together, reduce hunger, improve healthy, independent living, and support work or training.

The federal budget is undergoing great changes: in long-established mandatory programs and in non-defense discretionary

programs. The President's initial budget proposal recommended deep cuts in the rest of federal fiscal year 2017, most of which would have cut state and local government. The spending bill for this year did not follow this "blueprint," but deep cuts in 2018 are forthcoming. It is likely that the detailed proposal will be a radical departure from the long-standing fiscal partnership between the federal government and the states. At the same time, the Medicaid program, the largest source of federal funding in Ohio's budget, is under intense attack and could shrink federal funding to states over time.

This paper provides a benchmark of the federal government's fiscal partnership with Ohio. It is crucial to track changes and understand how they affect Ohio and Ohioans.



Introduction

Introduction

State and federal governments work together to protect the public and ensure the well-being of residents. A number of proposals to be considered by Congress in the coming months threaten to destabilize this partnership by cutting funding Ohio uses to provide health care, help children thrive, fix roads and bridges, ensure clean water, assist low-income families and care for veterans.

President Trump has proposed cutting billions of dollars from federal programs for education, infrastructure and health and human services. This threat is compounded by automatic, year-over-year cuts imposed by the Budget Control Act of 2011. This type of scripted, automatic cut is called a 'sequester.' Not all programs are subject to the sequester, and not all are targeted for reduction in the initial budget proposal. But as the President pushes for funding for a border wall, significant increase in defense spending and deep tax cuts, coupled

with major cuts in non-defense programs, difficult negotiations under tight timeframes may threaten all areas of the federal budget.

Changes in the federal budget have a big impact on Ohio because a little more than \$1 of every \$3 in the overall state operating budget comes from the federal government. In this report, we review the federal budget process and consider what proposed changes may mean to Ohio.

While this report looks at federal funding that flows through the state budget, that revenue is only part of the federal funding that comes into the state. There are also programs like Social Security that directly provide support to individuals, and grants that go to cities, towns, non-profits and other entities that support the education of our children, the maintenance of our transportation systems and other essential services.

The Federal Budget Process

The President's budget: The process starts when the President submits a detailed budget request for the coming year that tells Congress how much should be spent on public services and how much tax revenue is needed to fund such services.

Mandatory or discretionary? The federal budget is made up of discretionary and mandatory components. Discretionary programs give Congress the discretion to set the funding levels each year in the federal budget. Mandatory programs continue each year without annual appropriations. The only way changes can be made in these programs is by a change in the law. Taxes, interest, Medicare, Medicaid and Social Security are mandatory.

Budget resolution: After the president presents a budget, Congress holds hearings to develop its own budget plan, called a 'budget resolution.' The budget resolution is a 'concurrent' congressional resolution, not an ordinary bill, and therefore does not go to the President for his signature or veto. It also requires only a majority vote to pass. Because it does not go to the President, a budget resolution cannot enact spending or tax law. Instead, it sets targets for other congressional committees that can propose legislation directly providing or changing spending and taxes.

Budget hearings: Following adoption of the budget resolution, Congress then holds hearings on appropriations. In theory, 13 spending bills are drawn up and passed through the committee process, and comprise the budget for the next federal fiscal year, which runs from October 1 to September 30.

Budget Reconciliation: Congress sometimes uses a special procedure called 'reconciliation' to facilitate the passage of deficit reduction legislation or other major entitlement or tax legislation. The most important elements of the Trump plan are expected to be taken to reconciliation. This procedure was originally designed as a deficit-reduction tool, to force committees to produce spending cuts or tax increases called for in the budget resolution. Rules related to this process make it difficult to include any policy changes unless they have direct fiscal implications.

The reconciliation does not allow entitlement increases or tax cuts that cost money beyond the five (or more) years covered by the reconciliation directive, unless other provisions in the bill fully offset these 'out-year' costs.

Source: Policy Matters Ohio, drawn from Center on Budget and Policy Priorities at <http://www.cbpp.org/research/policy-basics-introduction-to-the-federal-budget-process>

Threats to the federal budget

Threats to the federal budget (and the funds it sends to Ohio)

Ohio's two-year operating budget for 2018-19 is not yet enacted, but the executive budget proposal would appropriate about \$136 billion: \$67 billion in 2018 and \$69 billion in 2019. Federal funds will make up 37 percent of the Ohio's all-funds operating budget in 2018-19,¹ which is slightly higher than the national average in 2016.²

The President's initial budget proposal: President Trump's initial budget proposal gave little more than indication of intent, but the expressed intent included cutting \$18 billion from what is left of federal fiscal year 2017 (which ends September 30) and \$54 billion in FY 2018 from non-defense programs that are funded at the discretion of Congress.³ A spending bill for 2017 was passed without the deep cuts proposed by the President. Ohio would have felt the cuts proposed by the President, because they were spread broadly across grants to state and local government. In 2016, Ohio received \$4.9 billion dollars in federal discretionary funds.⁴

Some programs proposed for elimination in the President's March proposal were identified by name, including the Appalachian Regional Commission, the United States Department of Agriculture (USDA) Water and Wastewater loan and grant program, the Low-Income Home Energy Assistance Program (LIHEAP), the Community Services Block Grant, the National Oceanic and Atmospheric Administration (NOAA) grants and programs supporting coastal and marine management that have been used for Great Lakes restoration, the Community

¹ This figure is taken from the Ohio Legislative Service Commission's Budget in Brief for House Bill 49, executive budget proposal, accessed 4/20/2017. This figure does not include federal funding in the Ohio Department of Transportation budget.

² Iris Lav and Michael Leachman, "At Risk: Federal Grants to State and Local Government," Center on Budget and Policy Priorities, March 13, 2017 at <http://www.cbpp.org/research/state-budget-and-tax/at-risk-federal-grants-to-state-and-local-governments>

³ Policy Matters Ohio blog, 3/16/2017 at <https://www.policymattersohio.org/blog/2017/03/16/trump-skinny-budget-starves-many-ohio-programs>

⁴ Lav and Leachman, Op. Cit. (Table 3).

Development Block Grant, and the 21st Century Learning Centers aftercare programming.⁵ Little information was given about programs that will be cut but not eliminated. Threatened programs include Head Start, child care assistance, K-12 education, job training, and domestic violence prevention as well as food safety, environmental protection, transportation and medical research.

Legislative committees will scrutinize the budget resolution and the president's proposal and hold hearings. In theory, Congress would draw up separate spending bills to fund government agencies. The process is sometimes less orderly. In some years, lawmakers have passed one giant spending bill, sometime near the end of the calendar year. In others, they have passed a 'continuing resolution' to let the government continue operating without an agreed-upon spending plan.

The Sequester: The Budget Control Act of 2011 was developed by a bipartisan committee tasked with agreeing on a way to reduce the budget deficit. If they did not succeed, the pre-ordained outcome was to be a series of automatic, across the board cuts, year-over-year, for 10 years. This process is called a 'sequester.' They didn't agree, so the sequester kicked in.

The first sequester cut occurred in 2013. Sequestration is to continue through 2021. The sequester targeted all federal funding, but exempted many mandatory programs (for example, Social Security and many provisions of Medicare and Medicaid were exempted).

Congress has not allowed the full cuts to take effect. Most recently, in October 2015, the Bipartisan Budget Act of 2015 provided discretionary sequester relief for 2016 and 2017. It also flat-funded spending for 2016 through 2018, allowing inflation to erode purchasing power of the federal dollar. However, the full effect of the sequester is to start in 2018. So even apart from the Trump budget proposal, without Congressional action, this will reduce spending further.

⁵ America First: A budget blueprint to make America great again, at https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf

Mandatory federal programs in the state budget

Mandatory federal programs in the state budget

The biggest share of federal money for state and local governments comes from ‘mandatory’ programs, which are federal programs that receive ongoing funding through formulas in the establishing legislation and are not subject to the federal budget process. Mandatory funds support programs of particular importance to low- and moderate-income households, including children, seniors, and people with disabilities. Also known as ‘entitlement’ programs, their benefits or services are available to anyone who meets strict eligibility criteria. Funding increases automatically and immediately to respond to increased need.

Threats to mandatory programs have to do with legislative changes, like the repeal of the Affordable Care Act, reductions to pay for tax cuts in reconciliation, or smaller changes in the course of other legislation such as the Children’s Health Insurance Program (CHIP) reauthorization.

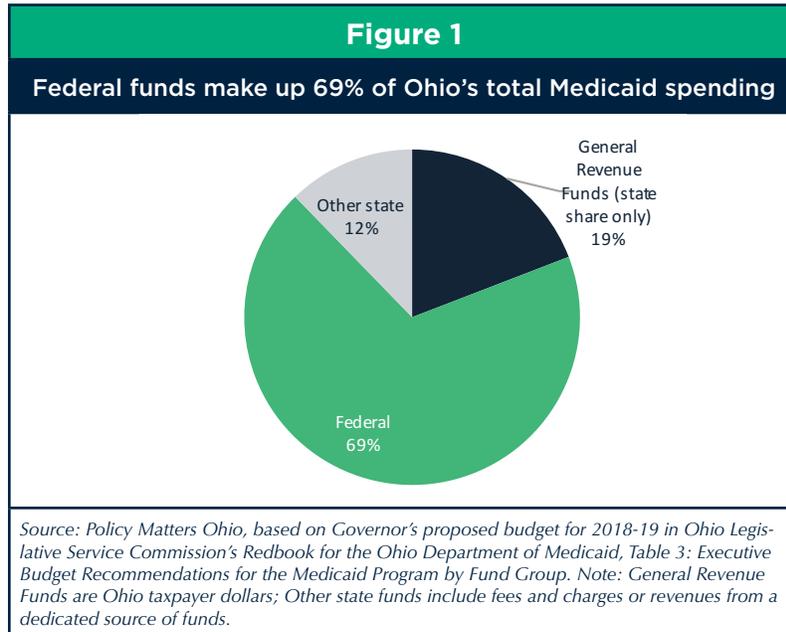
In this section of the paper, we look at the share of federal mandatory funds in the Ohio budget as proposed by Governor Kasich for fiscal years 2018 and 2019 in nine selected agencies and some programs within agencies.⁶ These agencies and programs, taken together, make up about 84 percent of all federal funding that is in the state budget.

The budget will be changed by Ohio’s General Assembly by the time it becomes law, at the end of June. The recently-passed House version of the budget reduced federal Medicaid dollars substantially. The Senate now turns to consideration of both the executive budget request and the House version of the budget. The appropriation levels from the executive budget are used in this report.

⁶ The Ohio budget is under debate, and changing with versions that are being considered by the House and that then move to the Senate. We use the Governor’s budget as a baseline.

OHIO'S MEDICAID PROGRAM

- Federal funds budgeted for FY 2018: \$19.2 billion
- Federal funds budgeted for FY 2019: \$19.8 billion



Medicaid funding makes up 42 percent of the total ('all funds') Ohio budget. Federal dollars make up 69 percent of Ohio's Medicaid program.

Medicaid dollars are appropriated for seven agencies, including the Ohio Departments of Medicaid, Developmental Disabilities, Job and Family Services, Health, Mental Health and Addiction Services, Developmental Disabilities and Aging. Most of the funding is administered by the Ohio Department of Medicaid. The Ohio Department of Medicaid oversees \$17.3 billion of the \$19.2 billion Medicaid dollars that are projected to come into the state in fiscal year 2018, and \$17.8 billion out of the \$19.6 billion in 2019.

Medicaid is the largest health insurer in Ohio, covering more than 3 million people, a quarter of Ohio's population. The federal government pays a fixed percentage of the cost of covering each enrollee through the federal matching rate, or FMAP (see blue box). If need rises, for example, a recession hits and many people lose their jobs and health insurance, or an epidemic breaks out

that causes a sharp rise in health care needs, the fiscal partnership between the state and the federal government protects eligible people from cuts to services, closing of enrollment, or waiting lists.

Neither the federal budget process nor the federal sequester affect Medicaid, because it is a mandatory program. However, the Republican Congress has sought a change in the financial structure of Medicaid that would provide each state a set amount of money each year, called a ‘block grant,’ or alternatively, would cap how much the federal government gives each state per enrollee based on how much the state spent in 2016, called a ‘per-capita cap’ structure.

Block grants: Several important social programs have been converted to block grants, and the effect has been erosion of purchasing power by inflation over time. For example, the Temporary Assistance for Needy Families (TANF) program, commonly thought of as welfare, is a block grant program that replaced the mandatory Aid to Families with Dependent Children (AFDC) program in 1996. TANF served 68 of every 100 eligible families across the nation in the year it was created, but serves just 23 out of every eligible family today.⁷

Per-capita cap: The proposed per-capita cap formula included in the Republican health care plan as proposed in April of 2017 would be adjusted annually for increases in Medical inflation, but not for demographic changes that affect overall program finance. For a state like Ohio, where the population is aging rapidly, that could cause harm. In 2010, 19.8 percent of Ohio’s population was

The share of Medicaid paid by the federal government (the “Federal Medical Assistance Percentage or FMAP) is derived from a formula in the federal Medicaid statute that is based on state per capita income. The lower a state’s per capita income, the higher the state’s FMAP, or federal Medicaid matching rate. FMAPs vary from a floor of 50 percent to a high of 74 percent.

There are exceptions to the FMAP formula for certain services and certain populations. The Affordable Care Act (ACA) provides an FMAP of 100 percent for the period 2014-2016 and at least 90 percent thereafter for the cost of covering newly eligible low-income adults.

The costs of administration are generally matched at 50 percent. Some administrative activities receive a higher federal matching rate.

The federal matching rates for the costs of the Children’s Health Insurance Program (CHIP) are enhanced relative to the Medicaid FMAP.

Source: The Kaiser Family Foundation at <http://bit.ly/2pd8o36>

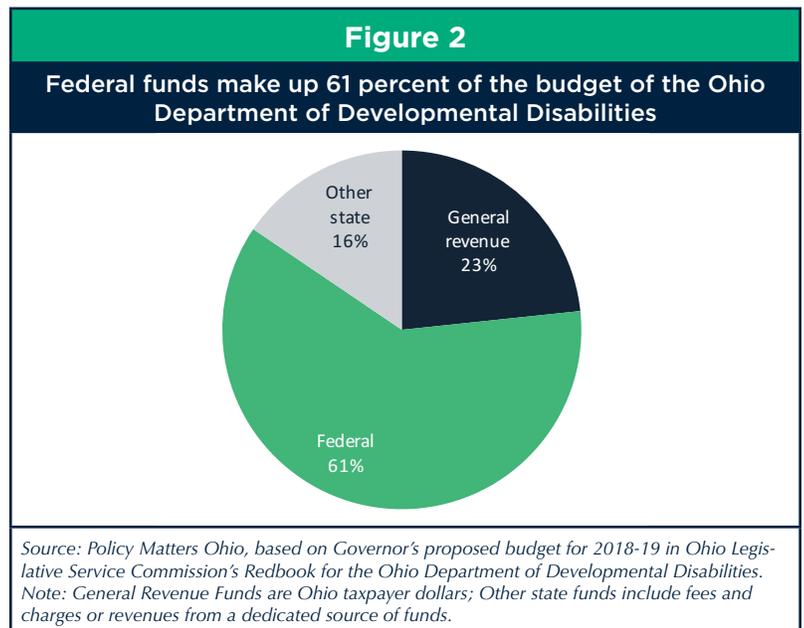
⁷ Iife Floyd, LaDonna Pavetti, Ph.D., and Liz Schott, “TANF Reaching Few Poor Families,” updated March 30, 2017 at <http://www.cbpp.org/research/family-income-support/tanf-reaching-few-poor-families>

60 or older. The Scripps Center for Gerontology estimates that number will climb to 25.2 percent by 2020 and 29.3 percent by 2030.⁸ Health care needs and costs rise with age. As seniors make up a larger share of the population, costs per beneficiary will rise. In Ohio, the Medicaid category that includes aged, blind and disabled people made up 12.3 percent of total Medicaid enrollment, but 47.8 percent of Medicaid spending.⁹ As seniors make up a larger share of the population, costs per beneficiary will rise. Controlling costs pegged to 2016 demographics will become increasingly difficult. State lawmakers are likely to look at ways to reduce eligibility, services, or both.

DEPARTMENT OF DEVELOPMENTAL DISABILITIES

- **Federal funds budgeted for fiscal year 2018: \$1.7 billion**
- **Federal funds budgeted for fiscal year 2019: \$1.9 billion**

The majority of the funds in the budget of the Ohio Department of Developmental Disabilities are Medicaid dollars that support people living at home, group homes or institutional settings. This agency also administers a share of Social Service Block Grant funds, a mandatory program, and funds associated with early intervention (formerly Help Me Grow); a share of those funds, through the Maternal and Child Health grant, are discretionary, exposed to the budget process and sequester.



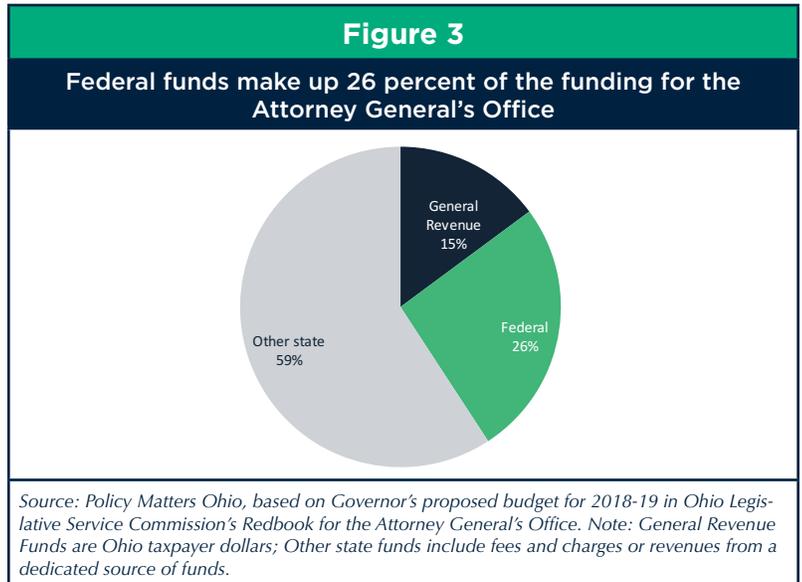
⁸ Scripps Center for Gerontology, Miami University at <http://www.ohio-population.org/documents/ohios-population-state-by-age-groups-1990-2050/>

⁹ Health Policy Institute of Ohio, Medicaid Basics, 2017 at http://www.healthpolicyohio.org/wp-content/uploads/2017/04/MedicaidBasics_2017_Web_04112017.pdf

ATTORNEY GENERAL'S OFFICE

- Federal funds budgeted for fiscal year 2018: \$87.2 million
- Federal funds budgeted for fiscal year 2019: \$87.2 million

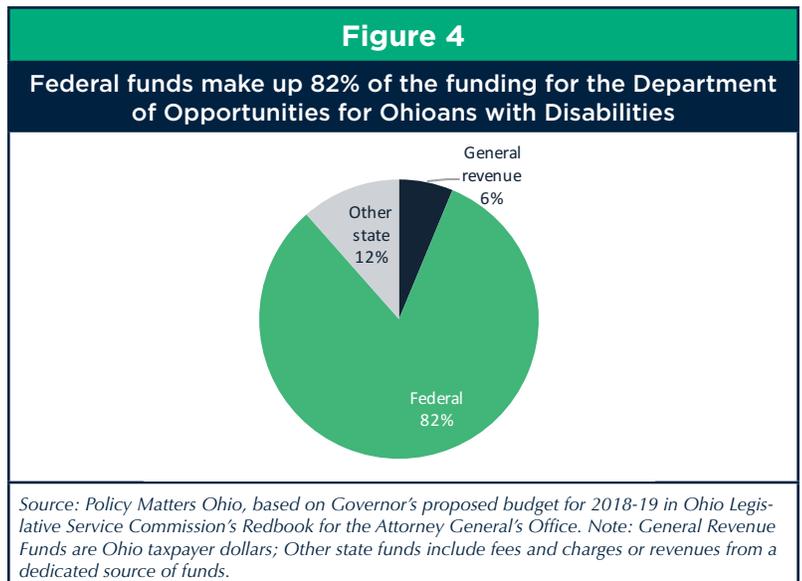
Just over a quarter of the funds for the Ohio Attorney General's office are federal funds. The majority are made up of federal funding to assist the victims of crime. These are mandatory programs, but they were not exempted from the sequester.



OPPORTUNITIES FOR OHIOANS WITH DISABILITIES

- Federal funds budgeted for fiscal year 2018: \$212.6 million
- Federal funds budgeted for fiscal year 2019: \$215.9 million

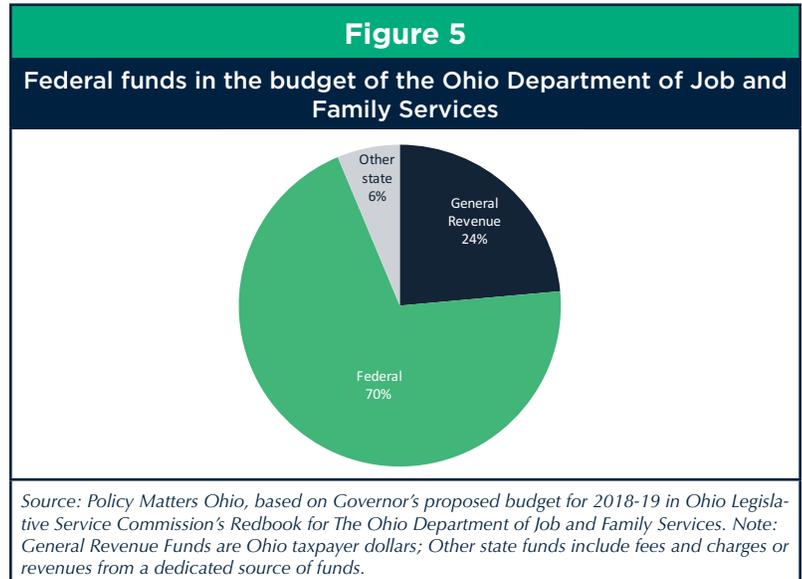
The vast majority of funding for this agency, which serves people with disabilities, is made up of federal funds authorized under the Federal Social Security Act. These funds are not named in the President's initial budget proposal and are not subject to the sequester. Funds are used for vocational rehabilitation, for determination of eligibility for disability payments, for case management services and to support the Centers for Independent Living.



OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

- Federal funds budgeted for fiscal year 2018: \$2.3 billion
- Federal funds budgeted for fiscal year 2019: \$2.3 billion

Federal funding makes up 70 percent of the budget of the Ohio Department of Job and Family Services, the flagship agency for Human Services. Critical mandatory programs that support working families include (but are not limited to) the following six programs.



TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

- Federal funds budgeted for fiscal year 2018: \$836.4 million
- Federal funds budgeted for fiscal year 2019: \$848.9 million

The federal government provides these funds to support very low-income families with children. Funding is intended to allow children to be cared for in their own homes, and to support job preparation, work, marriage and reduction of out-of-wedlock pregnancies.

The TANF funds come to the state in the form of a block grant, and states must provide a match, referred to as 'maintenance of effort.' The Governor's budget proposes a match of \$464.1 million for 2018, so total funding in the combined TANF expenditure plan for that year will be \$1,300.5 million (\$1.3 billion) dollars. The match in 2019 will be \$458.4 million so total program spending will be \$1,301.3 million (\$1.3 billion) in 2019.

States are given flexibility in use of these funds. Ohio dedicates a share of the TANF expenditures plan to child care assistance (\$455.2 million in 2018 and \$472.2 million in 2019) and to the Social



Services Block Grant (\$76.8 million in both years) for child protection services and for the Ohio Association of Foodbanks.¹⁰ The cash assistance program, Ohio Works First, is funded by TANF dollars and makes up about 20 percent of total TANF programming: an estimated \$264.1 million in 2018 and \$251.0 million in 2019.

CHILD CARE AND DEVELOPMENT FUND (CCDF)

- **Federal funds budgeted for fiscal year 2018: \$231 million**
- **Federal funds budgeted for fiscal year 2019: \$232 million**

The state's public childcare program helps with one of the biggest items in a young family's budget. The Governor's budget appropriates \$231 million in ODJFS agency line item line 600617 for public childcare in 2018 and \$232 million in 2019.

Ohio has one of the lowest levels of initial eligibility in the nation for the childcare program, accepting as initially eligible only people who make less than 130 percent of poverty (\$26,208 for a parent with two children as of October, 2016).¹¹

STATE ADMINISTRATIVE FUNDING FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)

- **Federal funds budgeted for fiscal year 2018: \$145 million**
- **Federal funds budgeted for fiscal year 2019: \$145 million**

The federal government provides funds to the Ohio Department of Job and Family Services for state and county use in the administration and operations of the federal Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps). The federal government reimburses the state 50 percent of most activities involved in managing the program. Although the funding to pay for food purchased by SNAP participants does not flow through the state budget, the budgeted federal SNAP funds support the administration of the program, including eligibility determinations and enrollment costs.

¹⁰ Ohio Department of Job and Family Services, Office of Fiscal & Monitoring Services, Temporary Assistance for Needy Families (TANF) SFY 2018-19 Spending Plan Estimates, March 9, 2017.

¹¹ Ohio Department of Job and Family Services website, Publicly Funded Child Care Monthly Gross Income Chart Effective 10/1/16; see also Policy Matters Ohio, "Ohio's Public Childcare Program Still Needs Improvement," November 2016 at <https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/budget-policy/ohios-public-childcare-program-still-needs-improvements>



The SNAP program itself is critical to Ohio's low income population. Ohio is a low-wage state. Nearly one-third (28.5 percent) of all Ohio jobs pay a median wage below poverty for a family of four. Ohio is 33rd worst among states for the share of work paying poverty wages.¹² In March 2017, 1.5 million Ohioans relied on SNAP to help put food on the table.¹³

The new Secretary of Health and Human Services, Tom Price, has recommended a plan that would apply sequestration to mandatory programs that serve vulnerable people. These programs have never been subject to sequestration before. The programs to which he would apply automatic cuts include Social Security, veterans' benefits, Medicaid, SNAP, and Supplemental Security Income. Current limits on the sequestration of Medicare would also be eliminated.¹⁴

FOSTER CARE PROGRAM (TITLE IV-E)

- **Federal funds budgeted for fiscal year 2018: \$240 million**
- **Federal funds budgeted for fiscal year 2019: \$240 million**

This federally funded line of Title IV-E of the Social Security Act is used to issue monthly foster care payments to foster parents or institutions to support an out-of-home placement for a child, as well as for administration expenses. These funds can be used to support the direct care of children in foster care (such as food, clothing, costs of shelter, etc.), or for administration and training of staff and providers who work with the children and families.

CHILD SUPPORT ACTIVITIES

- **Federal funds budgeted for fiscal year 2018: \$175 million**
- **Federal funds budgeted for fiscal year 2019: \$175 million**

The federal government provides funds to reimburse the state for a portion of the costs of ensuring parents are helping to pay for the support of their children. The major components of this line item are county administration, which provides monthly funding based on current expenditures and county estimates; state administration, which includes personal services,

¹² Hannah Halbert, "SNAP to skills," Policy Matters Ohio, April 2017 at <https://www.policymattersohio.org/research-policy/pathways-out-of-poverty/basic-needs-unemployment-compensation/workforce-development/snap-to-skills#sthash.RyncvAeq.dpuf>

¹³ Public Assistance Monthly Statistics, Ohio Department of Job and Family Services at http://jfs.ohio.gov/pams/PAMS_March_2017.stm

¹⁴ Richard Kogan and David Reich, "Price's budget process would harm key programs, favor tax breaks" December 2016 at <http://www.cbpp.org/research/federal-budget/prices-budget-process-changes-would-harm-key-programs-favor-tax-breaks>

purchased personal services, maintenance, equipment, and the federal share of the Support Enforcement Tracking System (SETS); and federal child support incentive dollars (in FFY 2015, the most recent year in which data is available, ODJFS received \$30.4 million in federal incentives.) Child support enforcement activities include locating absent parents; establishing paternity; obtaining child, spousal, and medical support; enforcing obligations owed by the absent parent; and disbursement of support obligations.

SOCIAL SERVICES BLOCK GRANT (SSBG)

- **Federal funds budgeted for fiscal year 2018: \$42.0 million**
- **Federal funds budgeted for fiscal year 2019: \$42.0 million**

The federal government provides states with a block grant of flexible funds to “furnish social services best suited to the needs of the individuals residing in the State.” These funds are available to support any of a variety of services, including helping families maintain economic independence, preventing abuse or neglect of children or adults, and reducing the use of unnecessary institutional care. The allocation of the grant among the states is based on the state’s population, but the total amount of funding available has been capped since 2001. These funds are received by the Ohio Department of Job and Family Services, which keeps 72.5 percent and distributes the remainder to the Department of Developmental Disabilities (14.6 percent) and to the Ohio Department of Mental Health and Addiction Services (12.9 percent). The Governor’s budget recommends funding of \$42 million for 2018 and again for 2019.

Although there is some flexibility in how the state may use these funds, in Ohio they are used to provide social services administered at the county level. To address national program goals, ODJFS established 28 service categories, including – but not limited to – adoption, family planning, employment services, home delivered meals, and legal services. All counties are required to provide services within the 28 categories, but have discretion, flexibility, and autonomy in deciding specific services that will be offered.

This block-granted program has been eroded over time. Funding for the Social Services Block Grant has declined 81 percent since its creation in 1982, adjusted for inflation.¹⁵

¹⁵ David Reich *et al.*, “Block-Granting Low-Income Programs Leads to Large Funding Declines Over Time, History Shows,” Center on Budget and Policy Priorities, February 22, 2017, <http://www.cbpp.org/research/federal-budget/block-granting-low-income-programs-leads-to-large-funding-declines-over-time>.

Other agencies and programs

Other agencies and programs, including non-defense discretionary programs in the state budget

State agencies receive both mandatory and discretionary funding. Most of the discretionary funding is for non-defense programs, which do not receive ongoing funding like mandatory programs, and are subject to the federal budget process of Congress. The funding is called 'discretionary' because Congress sets annual appropriations at their discretion. Non-defense discretionary funding includes education, some transit, public health programs, supports for people with disabilities, job training, economic development, clean water and many others. Ohio received \$4.9 billion dollars in discretionary funding in 2016.¹⁶

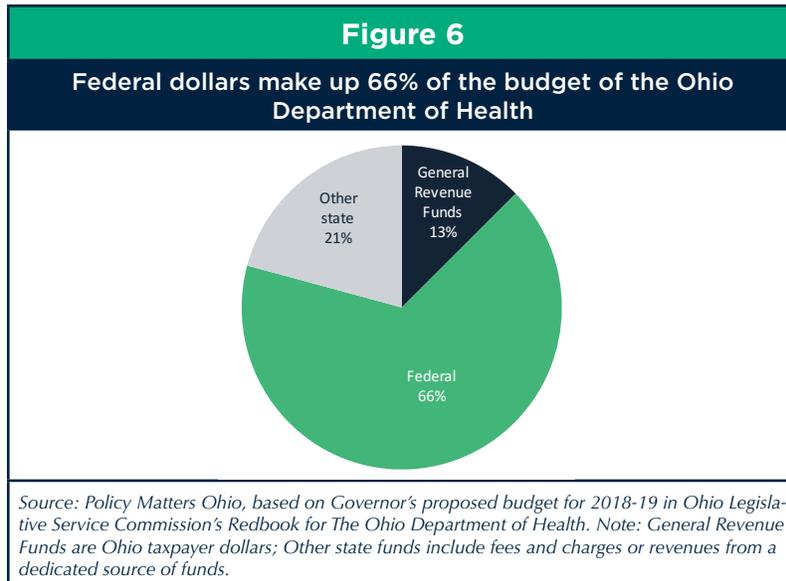
The following section looks at both mandatory and discretionary funding of a selection of nine additional agencies. We highlight federal discretionary funds in these agencies.

The federal funds described below, combined with those in the prior section, make up 97 percent of the federal funds in the state budget.

¹⁶ Lav and Leachman, Op.Cit. at <http://www.cbpp.org/research/state-budget-and-tax/at-risk-federal-grants-to-state-and-local-governments> (Table 3).

OHIO DEPARTMENT OF HEALTH

- Federal funds budgeted for fiscal year 2018: \$425.1 million
- Federal funds budgeted for fiscal year 2019: \$425.8 million



The state funds public services with general revenues, which are from taxpayer collections; with other revenues derived from fees or charges dedicated for a certain use, and with federal funds. Figure 6 highlights the importance of federal funds to the Ohio Department of Health. Two-thirds of the funding for this agency, which oversees public health, are derived from federal sources. Federal cuts or the shut-down of the federal government could disrupt public health efforts in the state.

An example of this funding is the Women, Infants and Children program (WIC), which is a discretionary federal program run through the Ohio Department of Health. This nutritional program pays for specific foods (including infant formula) for eligible low-income pregnant women and children who participate. Ohio received \$212 million for WIC in 2016, and served a monthly caseload of 234,719 people.¹⁷ The governor's budget estimates \$230 million a year will be allocated to Ohio in each year of the upcoming budget for 2018 and 2019.

¹⁷ Ohio Department of Health, WIC fact sheet at <https://www.odh.ohio.gov/-/media/ODH/ASSETS/Files/ns/wic-nutrition/wicfacts.pdf>

OHIO DEPARTMENT OF AGING

- Federal funds budgeted for fiscal year 2018: \$71.2 million
- Federal funds budgeted for fiscal year 2019: \$71.2 million¹⁸

Federal funds make up more than three-quarters of funding for the services of the Ohio Department of Aging. This funding helps seniors with employment, home heating and cooling, chronic disease management, Alzheimer’s, social services, home-delivered and group meals and funding for ombudsman activities, among other things.

In addition, the Ohio Department of Aging oversees Medicaid-funded programs that serve seniors who are living at home, not in nursing homes, but need help with activities of daily living and some health services. In 2016, the department was responsible for \$375.2 million Medicaid dollars to serve 22,566 seniors¹⁹ aging at home.

DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

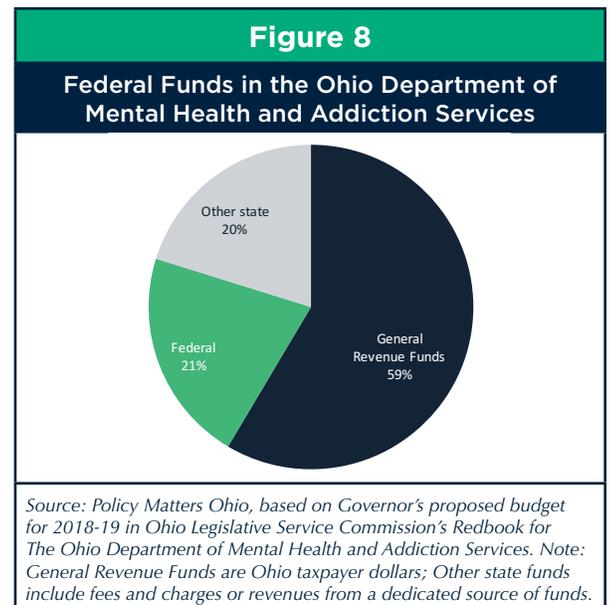
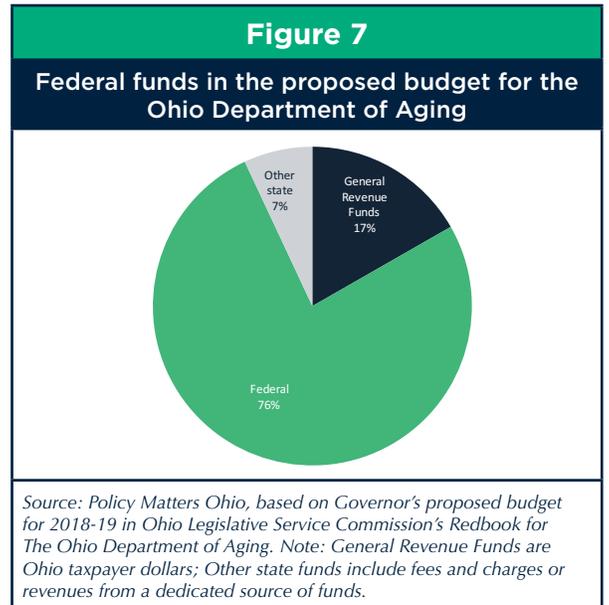
- Federal funds budgeted for fiscal year 2018: \$147.4 million
- Federal funds budgeted for fiscal year 2019: \$147.4 million

Ohio had 3,310 drug overdose deaths in 2015, second only to California which has nearly three times as many people.²⁰ Federal funds provide more than a fifth of total funding to the budget of the Ohio Department of Mental Health and Addiction Services in both years of the executive budget for 2018 and 2019, contributing \$147.4 million in each year, mostly from funding sources subject to the sequester and the Congressional budget process.

¹⁸ This does not count the program funds of Medicaid, which underwrite the ‘waiver’ services supporting seniors aging at home.

¹⁹ Ohio Legislative Service Commission, Redbook for the Ohio Department of Aging (p.5) at <http://www.lsc.ohio.gov/fiscal/redbooks132/age.pdf>

²⁰ Center for Disease Control and Prevention, Drug Overdose Death Data at <https://www.cdc.gov/drugoverdose/data/statedeaths.html>





Medicaid funding is a critical component of this agency's efforts to address the drug epidemic afflicting the state. Much of the Medicaid funding for mental health and addiction services runs through the budget of the Ohio Department of Medicaid. The Governor's Office of Health Transformation reports that \$650 million in Medicaid funds have been deployed to address Ohio's drug epidemic.²¹

Community mental health services support the primary care offered through Medicaid. These services include (but are not limited to) peer support, individual and group counseling, residential treatment, crisis intervention, rehabilitation and case management. The largest sources of federal discretionary funding in the budget for the Department of Mental Health and Addiction Services are the Mental Health Block Grant and the Substance Abuse Block Grant, which together served 415,091 Ohioans in 2015.²²

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES: WORKFORCE INNOVATION AND OPPORTUNITY ACT (WIOA)

- **Federal funds budgeted for fiscal year 2018: \$166.8 million**
- **Federal funds budgeted for fiscal year 2019: \$166.8 million²³**

As described above, most of the human services provided through the Ohio Department of Job and Family Services are mandatory, but the workforce training programming is discretionary. These federal funds flow through the state to local workforce agencies, some of which are operated directly by county job and family service offices. The program provides workforce training and employment services to youth, adults and dislocated workers (people who have been laid off through company downsizing or plant closure). Some funds help job seekers go back to community college to retrain for new careers. Others help youth get summer jobs. When a plant closes, federal funds help with a Rapid Response to help people find new jobs. Services are delivered in offices called One-Stops nationally but known as OhioMeansJobs centers in Ohio, and through the OhioMeansJobs on-line job search engine. In 2016, 346,698 Ohioans were served in this system.²⁴

²¹ Ohio Governor's Office of Health Transformation, "Reduce Drug Abuse and Overdose Deaths, 2017 at <http://www.healthtransformation.ohio.gov/LinkClick.aspx?fileticket=JlxqRvpq8Yo%3d&tabid=254>

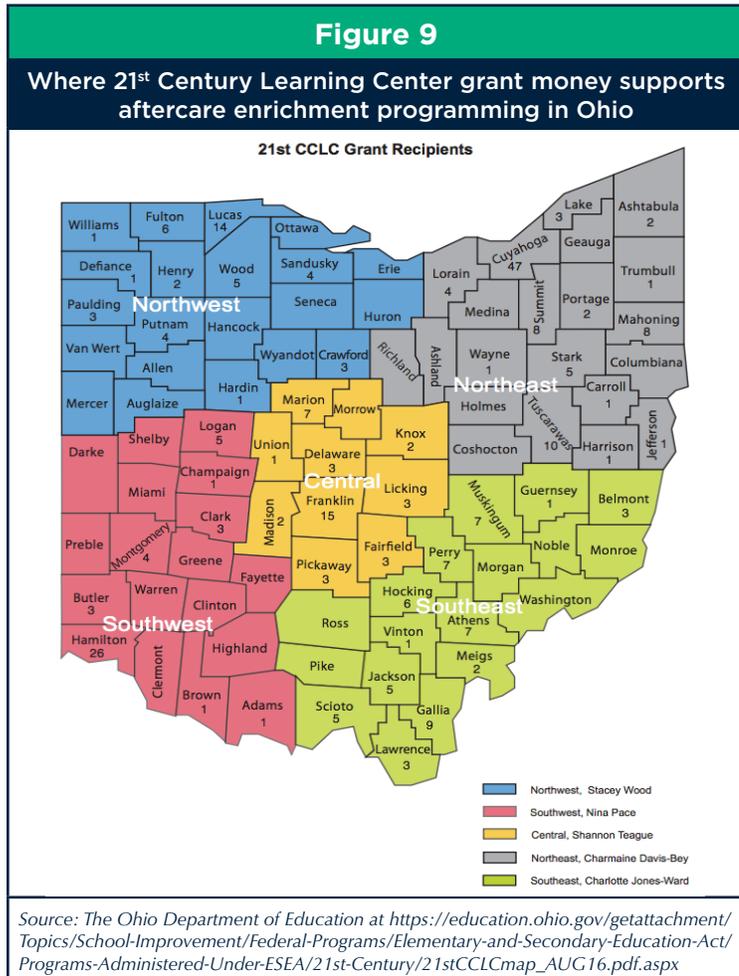
²² Substance Abuse and Mental Health Services Administration, Ohio 2015 Mental Health National Outcome Measures (NOMS): SAMHSA Uniform Reporting System

²³ Ohio Legislative Service Commission, Redbook for the Ohio Department of Job and Family Services, Table 1, p.71 at <http://www.lsc.ohio.gov/fiscal/redbooks132/jfs.pdf>

²⁴ Ohio Legislative Service Commission, Redbook for the Ohio Department of Job and Family Services, Table 1, p.73 at <http://www.lsc.ohio.gov/fiscal/redbooks132/jfs.pdf>

OHIO DEPARTMENT OF EDUCATION

- Federal funds budgeted for fiscal year 2018: \$2.0 billion
- Federal funds budgeted for fiscal year 2019: \$2.0 billion



Federal funds provide 18 percent of the funding for the Ohio Department of Education (ODE). The largest federally-funded programs are mandatory programs, including school nutrition (school breakfast and lunch programs) and the Elementary and Secondary Education Act (Title 1) funding for economically disadvantaged schools.

The Federal Individuals with Disabilities Act (IDEA) for special education is another significant federally funded program in the ODE budget. The President’s initial budget proposal recommended flat funding for this discretionary program. Another discretionary program, the Every Student Succeeds Act (ESSA) 21st Century Community Learning Centers program, did not fare so well: it was recommended for elimination. This program is budgeted at \$50 million in 2018 and \$50 million in 2019 in the governor’s proposed budget. It supports 276 after-care and

enrichment programs²⁵ that serve 43,195 children²⁶ in the majority of Ohio’s counties (Figure 9 shows counties with a 21st Century Learning Center grant program in August, 2016).

The president’s initial budget release also targeted funding for ‘Improving Teacher Quality’ partnership grants. This would be another blow to Ohio’s schools. Most of the funding for this program passes through directly to school districts under a formula based on enrollment and poverty. The state’s budgeted share is \$90 million annually in 2018 and again in 2019.

²⁵ Shannon Gilchrist and Jim Segal, “After, - before school programs in Ohio may lose funding this summer, Jan 19, 2017 at <http://www.dispatch.com/news/20170119/after--before-school-programs-in-ohio-may-lose-funding-this-summer>

²⁶ Melissa Cropper, “Low income kids hurt most by cuts to Education,” The Columbus Dispatch, March 30, 2017 at <http://www.dispatch.com/opinion/20170330/melissa-cropper-low-income-kids-hurt-most-by-cuts-in-education>

OHIO ENVIRONMENTAL PROTECTION AGENCY

- **Federal funds budgeted for fiscal year 2018: \$35.8 million**
- **Federal funds budgeted for fiscal year 2019: \$35.9 million**

Almost a fifth of Ohio's Environmental Protection Agency funding comes from the federal government, including federal air pollution and control funds; clean-up and response funds; public water supply and protection funds, as well as underground injection control and water quality funds. These are discretionary programs exposed to cuts. This agency is highly sensitive to changes in federal funding, as payroll is based on federal grant dollars. On April 24, the agency sought Controlling Board approval for funding in anticipation of a shortfall in payroll and services if the federal government were to experience a shut-down on April 28, when a continuing resolution was set to expire.²⁷ (The shutdown has since been averted.)

DEPARTMENT OF NATURAL RESOURCES

- **Federal funding for fiscal year 2018: \$22.1 million**
- **Federal funding for fiscal year 2019: \$24.7 million**

Significant attention has been paid to the President's proposed elimination of the federal Great Lakes restoration programming and the coastal management funding of the National Oceanic and Atmospheric Administration (NOAA).²⁸ Some of these federal funds that come into Ohio are administered by the Ohio Department of Natural Resources. Almost \$47 million (6.7 percent) of the funds of Ohio's Department of Natural Resources will come from federal sources in the governor's proposed two-year budget for 2018-19. Ohio receives \$2 million a year from the NOAA for its coastal management program and has received up to \$3.2 million a year for the past decade. In addition, The Ohio Department of Natural Resources applies for funding from grant programs like the Great Lakes restoration funding initiative.

Much of the funding for natural resource programs do not flow through the state. The Great Lakes Restoration Program, for example, has funded \$166.7 million in Ohio since 2010 (in addition to numerous multi-state grants).²⁹ Funding for this important program was not cut in the 2017 spending bill recently enacted by Congress.³⁰

²⁷ The state Controlling Board approves expenditures that are not accounted for in the state budget or other legislation. In this case, it is to provide payroll and services in the case of federal government shut-down. Gongwer Ohio, 4-24-2017 at <https://www.gongwer-oh.com/programming/news.cfm>. Funding has been approved through the end of the federal fiscal year, which runs from October 1 to January 30. However, this illustrates the uncertainty that characterizes the budget process in Congress this year, and how it impacts Ohio public services.

²⁸ America First: A budget blueprint to make America great again, at https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf; see also James F. McCarty, "Lake Erie programs suffer millions of dollars in losses from Trump budget proposals," March 16, 2017 at http://www.cleveland.com/metro/index.ssf/2017/03/lake_erie_programs_suffer_mill.html Service Commission, Redbook for the Ohio Department of Job and Family Services, Table 1, p.71 at <http://www.lsc.ohio.gov/fiscal/redbooks132/jfs.pdf>

²⁹ Great Lakes Restoration Initiative at <https://www.glri.us/projects/index.html>

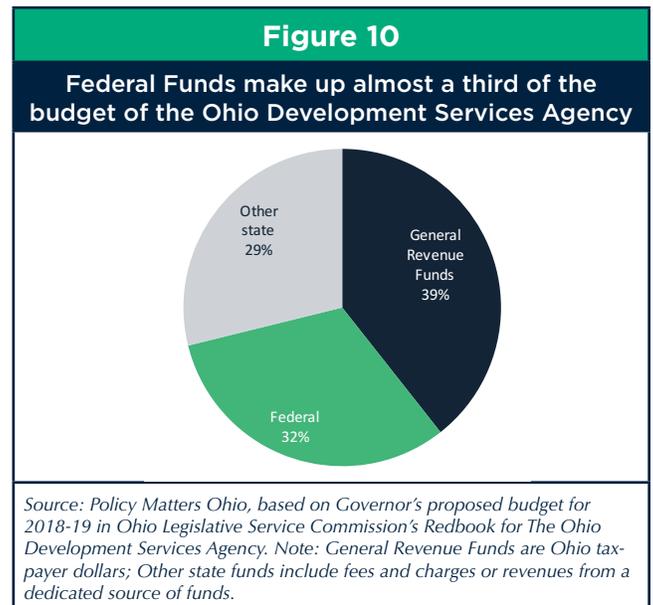
³⁰ Sabrina Eaton and Stephen Koff, U.S. Congress will maintain Great Lakes funding, boost medical research, but later fights loom with Trump, Cleveland.com, May 1, 2017 at http://www.cleveland.com/nation/index.ssf/2017/05/congress_will_maintain_great_l.html

OHIO DEVELOPMENT SERVICES AGENCY

- **Federal funds budgeted for fiscal year 2018: \$373.2 million**
- **Federal funds budgeted for fiscal year 2019: \$373.2 million**

Ohio privatized some of its economic development function, but the state’s Development Services Agency remains about a billion-dollar-a-year department that provides community development services, administers technology and R&D programs, and services loans, grants and tax credits.

Federal dollars account for almost a third of total funding in 2018 and 2019. Most of these dollars are used for community development: In particular, through funds that help low-income families pay utility bills and weatherize homes, as well as to redevelop brownfields, assist with affordable housing (the federal HOME program) and to restore neighborhoods (Community Development Block Grant). In 2014, about 150,000 Ohioans were served through these programs. The President’s initial budget program recommended elimination of these programs.



DEPARTMENT OF PUBLIC SAFETY

- **Federal funds in 2018: \$150.5 million (total, including ODOT budget); \$107.8 in operating budget**
- **Federal funds in 2019: \$142.8 million (total, including ODOT budget); \$100.1 in operating budget**

The Department of Public Safety is funded through both the state operating budget and the state transportation budget, two separate budgets. The 293.3 million federal dollars included in the governor’s budget for 2018 and 2019 underwrite important services. The largest funding components are discretionary funds that have to do with federal disaster relief and emergency management assistance and training.

Summary & Conclusion

Summary & Conclusion

The programs described in this report account for 97 percent of the federal funds in the Ohio operating budget. Concentrated in health, human services and education, they help with basic needs and underpin opportunity for working families of moderate and low income, children, seniors and people with disabilities. In most cases, their purpose is to help people live independently, keep families together, reduce hunger, improve health, and support work or traction in the labor market.

The federal budget is undergoing great changes. Sweeping changes in long-established mandatory programs, which are distributed by formula and not part of an annual appropriations process, are being considered. Changes in non-defense discretionary programs are pending. The President's initial budget proposal recommended deep cuts in what is left of federal fiscal year 2017, most of which would have impacted state and local government. While the spending bill for the remainder of the year did not follow the president's "blueprint," his detailed proposals for deep cuts in 2018 are forthcoming. Based

on the initial proposal, it may be expected that the detailed proposal will be a radical departure from the long-standing fiscal partnership between the federal government and the states. At the same time, the Medicaid program, the largest source of federal funding in Ohio's budget, is under intense attack in Washington, with efforts to change it to a block grant, which would shrink federal funding to states over time.

This paper provides a benchmark of the federal government's fiscal partnership with Ohio at this time. It is important that we track what changes are made, and how they affect Ohio and Ohioans.

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