

COUNTY BUDGETS, THE INDIGENT PROGRAM, AND MEDICAID EXPANSION: NOW WHAT?

Seth Grigg

Executive Director

Idaho Association of Counties

sgrigg@idcounties.org



TODAY'S AGENDA

- County Budgeting 101
- Property Tax 101
- County Indigent Program 101
- Impact of Medicaid Expansion
- Challenges/Areas of Caution



ABOUT IAC

- Incorporated in 1976 by county officials as a 501(c)(4) to serve as coordinating agency for Idaho's 44 counties and 396 county elected officials.
- Mission: IAC promotes county interests, encourages ethical behavior, advocates good public policy on behalf of Idaho counties, supports best practices, and provides education and training to assist Idaho county officials in performance of public service.



COUNTY BUDGETING 101



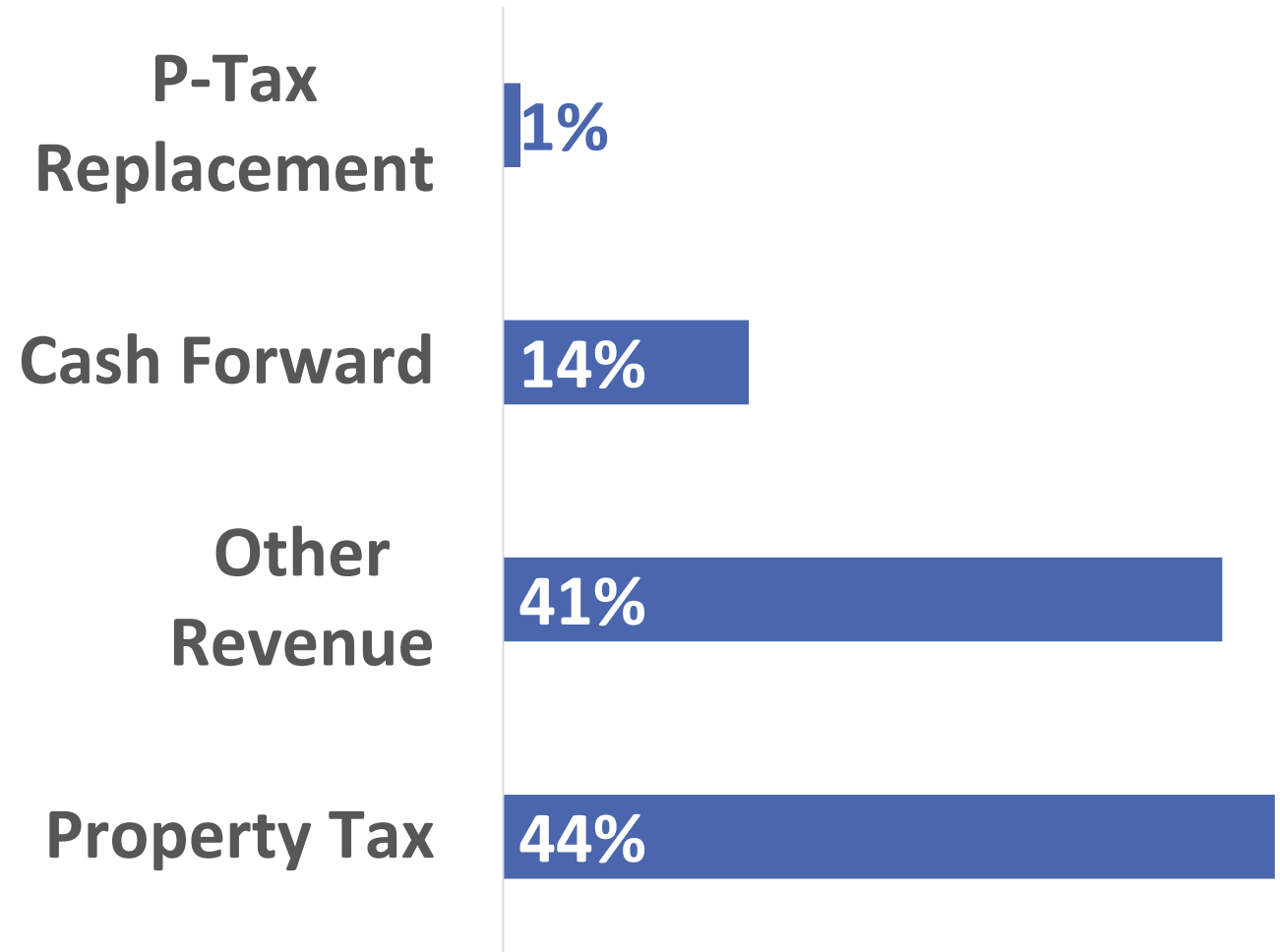
THE COUNTY BUDGET CYCLE

- Preliminary budget requests filed with clerk/auditor by 3rd Monday in May
- Clerk/auditor submits preliminary budget to county commissioners by 1st Monday in August
- County commissioners set publish tentative budget no later than 3rd week in August
- County commissioners hold budget hearing and adopt final budget on or before the Tuesday following the 1st Monday in September
- County fiscal year begins on October 1st



COUNTY REVENUE SOURCES

- Local Property Taxes
- State Revenue Sharing
- Federal Land Payments
- Fees
- Fines
- Grants
- Interest
- Etc.



GENERAL VS DEDICATED REVENUES

General Fund Revenues

- Current Expense Levy
- Sales Tax Revenue Sharing
- PILT

Dedicated Fund Revenues

- Liquor Fund
- Transportation (HDA, SRS, etc.)
- Charity Levy
- Justice Levy
- District Court Levy

COUNTY BUDGET FUNDS

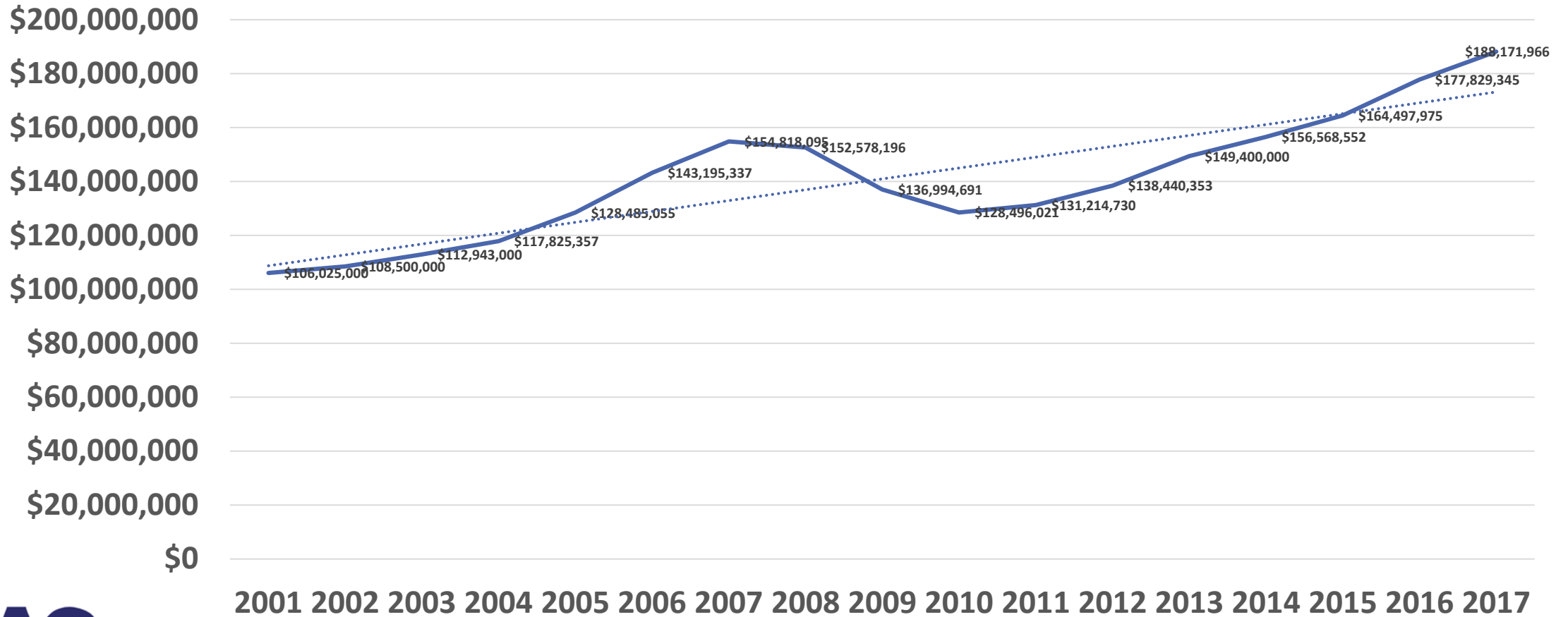
- General or Current Expense
- Airport
- Ambulance
- Ad Valorem (Revaluation)
- Justice
- Ignition Interlock
- District Court
- Election Consolidation
- Fairgrounds and Buildings
- Health District
- Historical Society
- Charity (Indigent)
- Trusts
- Drug Court
- Road & Bridge
- Community College
- Parks & Recreation
- Pest Control
- Snowmobile
- Solid Waste
- Tort
- Veterans' Memorial
- Waterways
- Noxious Weed
- 911 Emergency Communications
- EMS
- Enterprise Funds



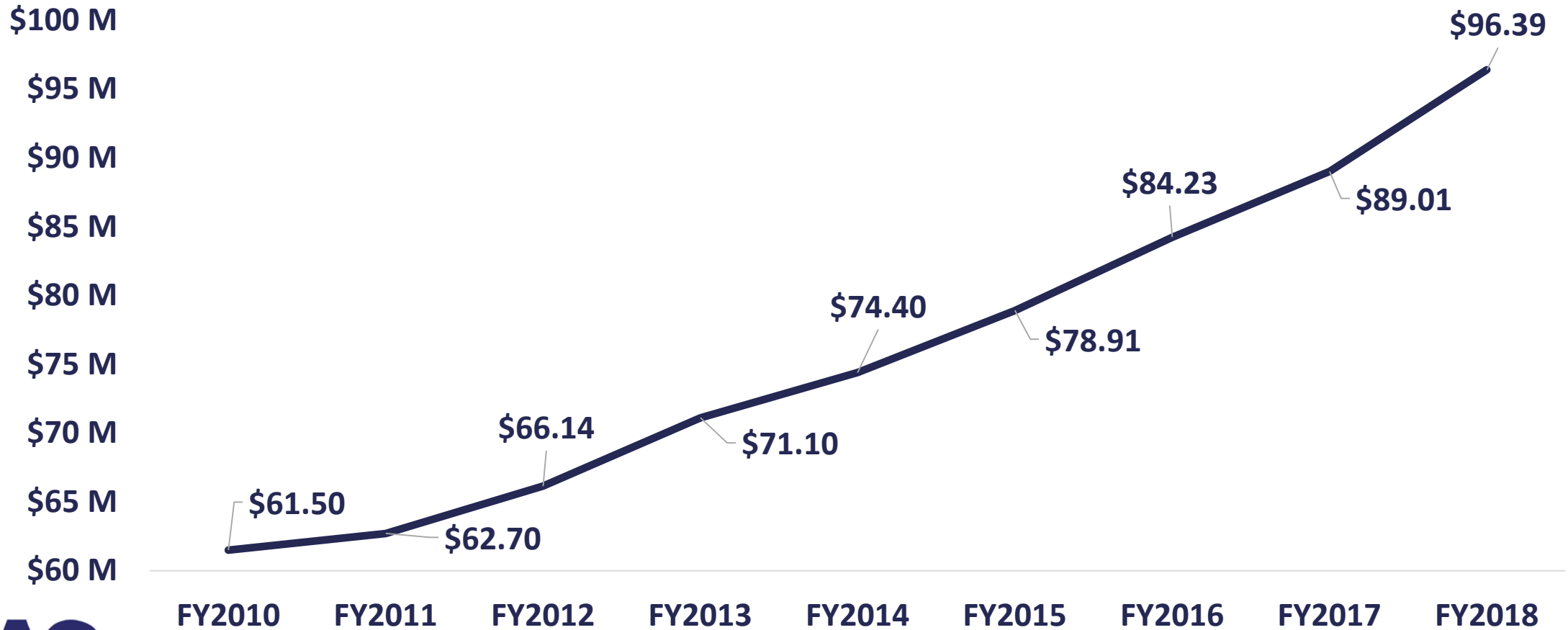
REVENUE SHARING

- State revenue sharing apportionment:
 - \$1,320,000 apportioned 1/44 to each county
 - Balance is apportioned based on population
- Base and excess apportionment (inventory replacement):
 - Base payment fixed at 1999 payment
 - Excess apportioned to counties based on population
- IC §63-3638

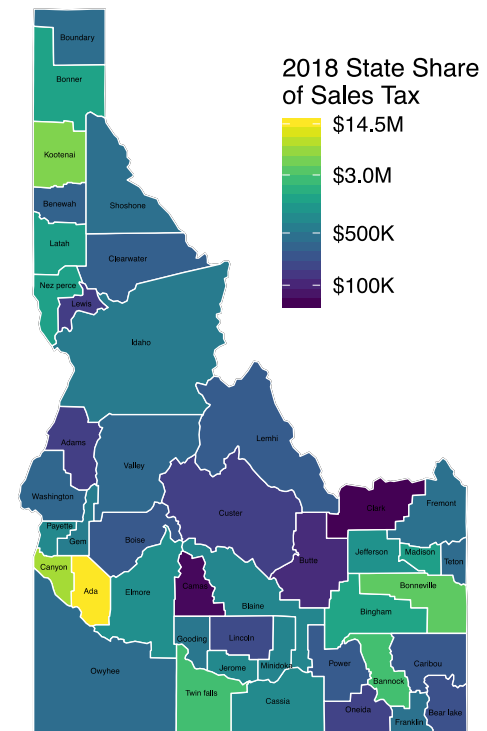
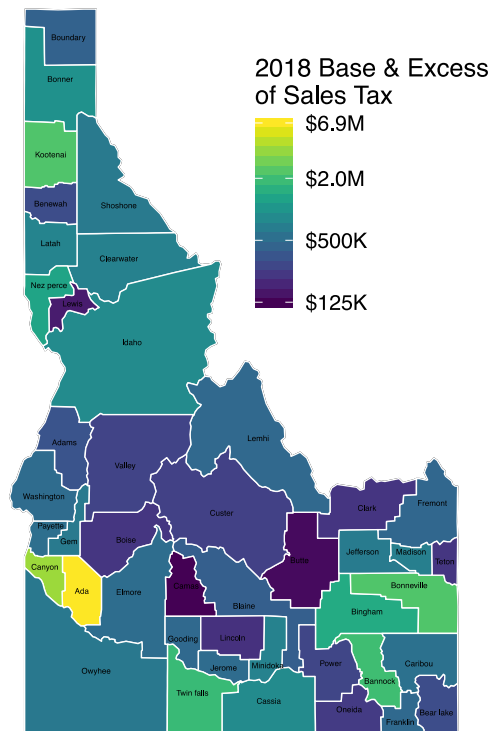
SALES TAX REVENUE SHARING TO LOCAL GOVERNMENTS



SALES TAX REVENUE SHARING TO COUNTIES



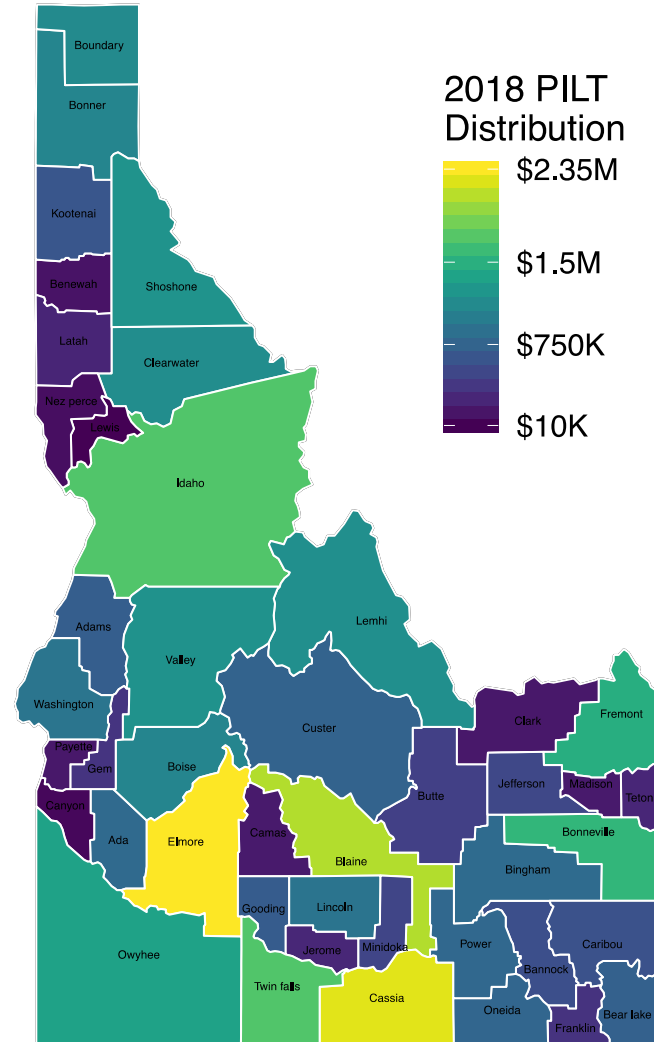
SALES TAX REVENUE SHARING



PAYMENT IN LIEU OF TAXES (PILT)

- General government funding to counties through Payment-in-Lieu-of-Taxes program
- Intended to compensate counties for the loss of tax revenues due to the tax exempt status of federal lands
- Actual payment based on numerous factors, including:
 - Population
 - Eligible federal land acres
 - Prior year federal land payments from other programs

PILT



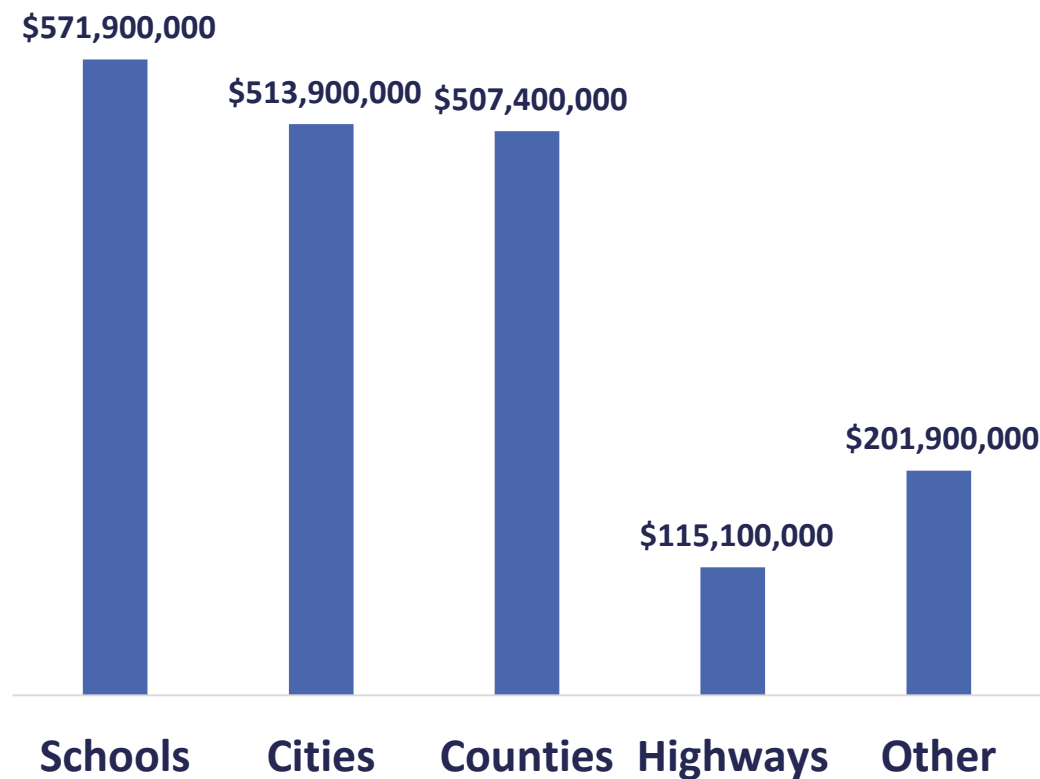
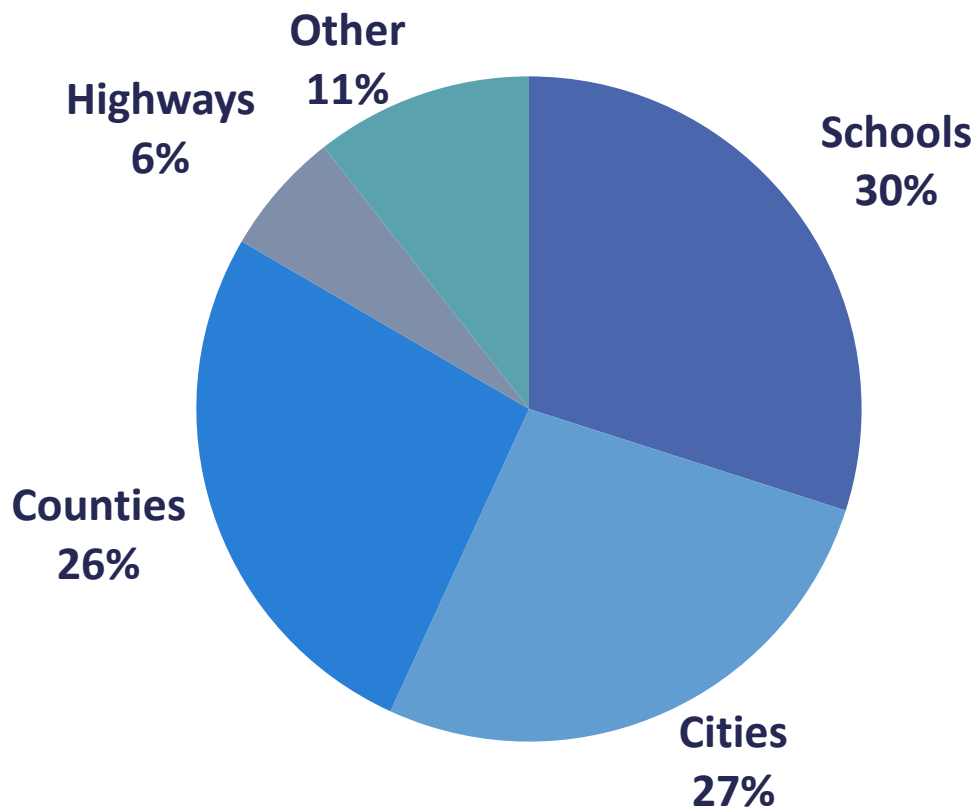
PROPERTY TAX 101



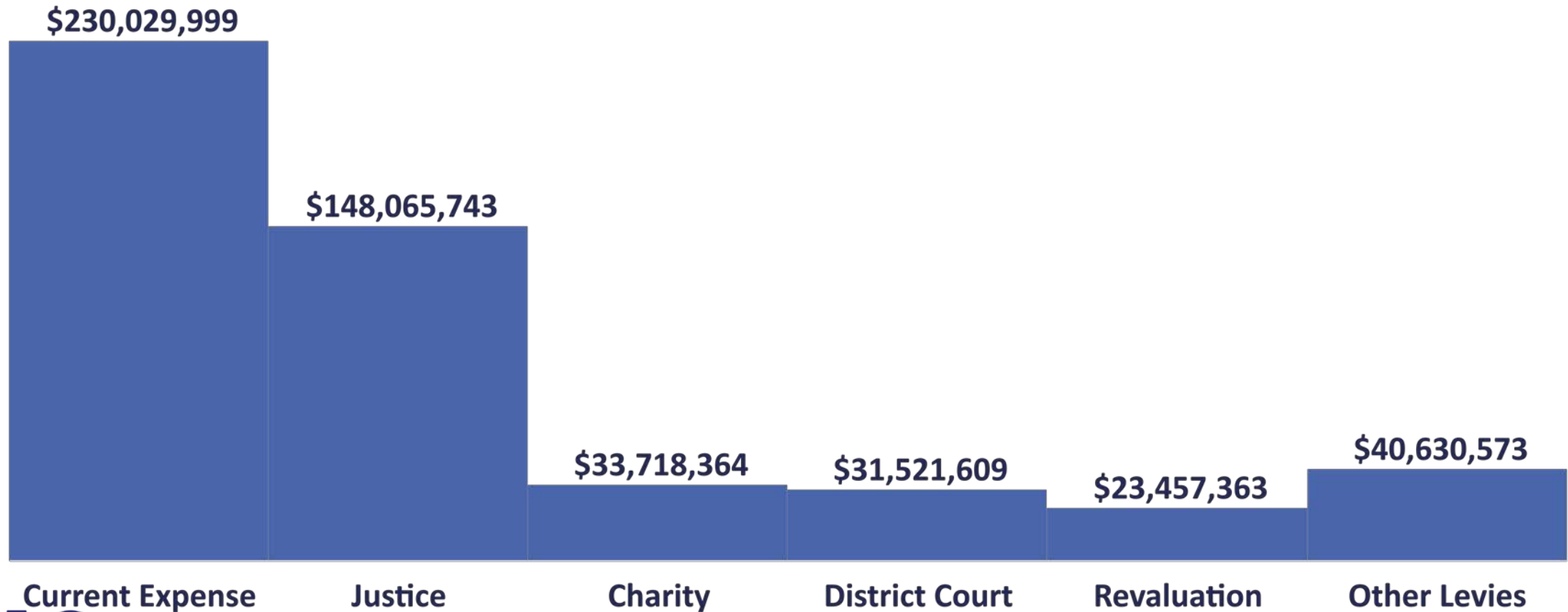
PROPERTY TAXES

- 44% of county operating revenues come from property taxes
- Property tax budgets in Idaho are budget driven (not rate driven)
- Property tax budgets are based on need, not fixed levy rates
- Prevents volatility

PROPERTY TAX DISTRIBUTION



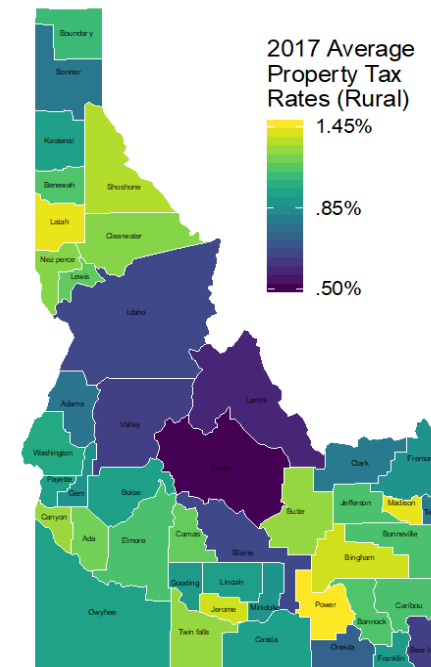
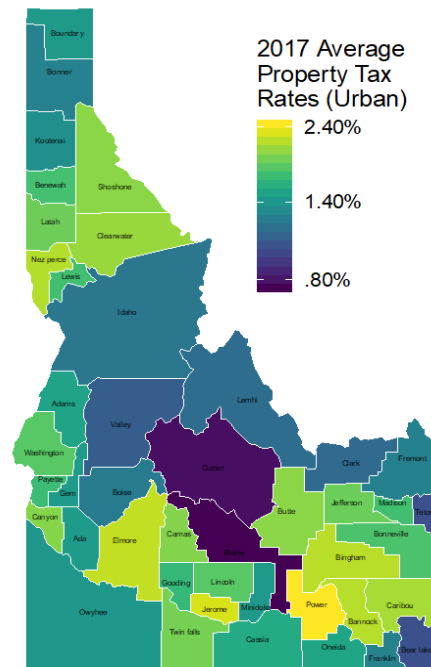
DISTRIBUTION OF COUNTY PROPERTY TAXES



AVERAGE PROPERTY TAX RATES

Urban (Incorporated City): 1.51%

Rural (Unincorporated County): 0.99%



THE PROPERTY TAX BUDGET

- The 3% Cap
- Levy Caps
- New Construction Revenues
- Forgone Property Taxes

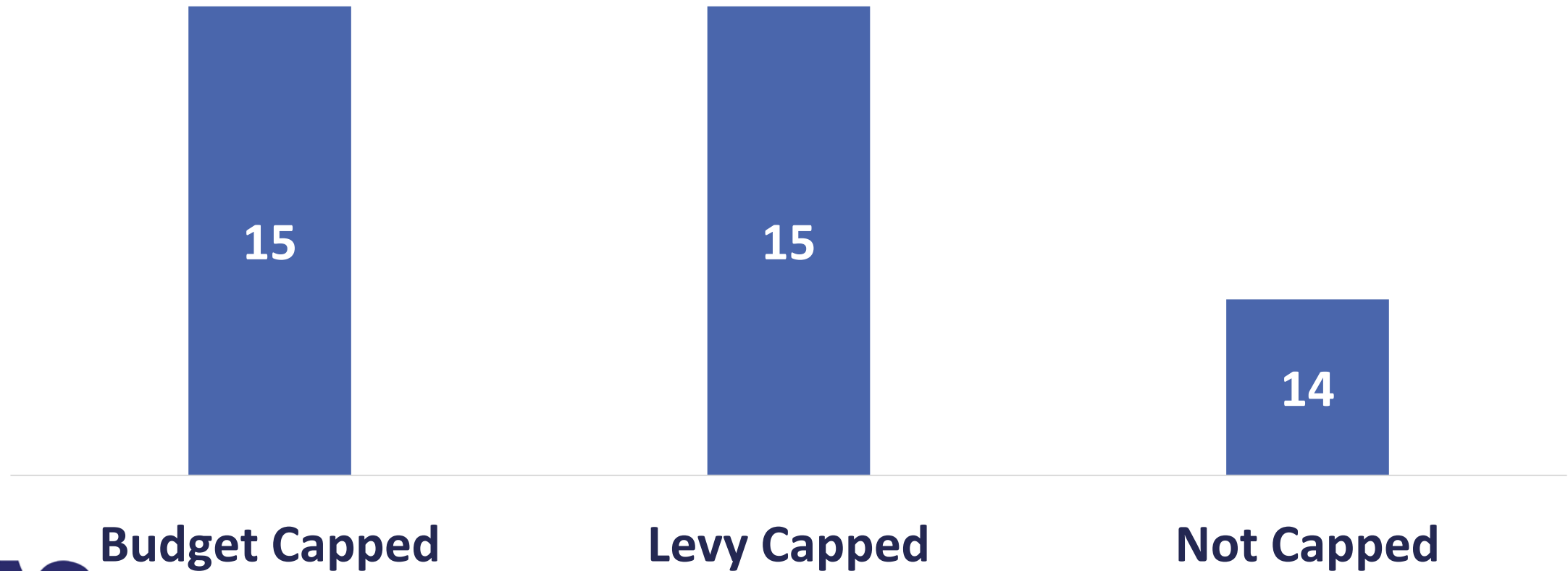
3% PROPERTY TAX BUDGET CAP

- Property tax budgets cannot increase by more than 3% (IC §63-802)
- The 3% increase is calculated using the highest property tax budget from the previous three years
- The 3% cap does not apply to the total county budget
- The 3% cap does not apply to new construction revenue or forgone property taxes

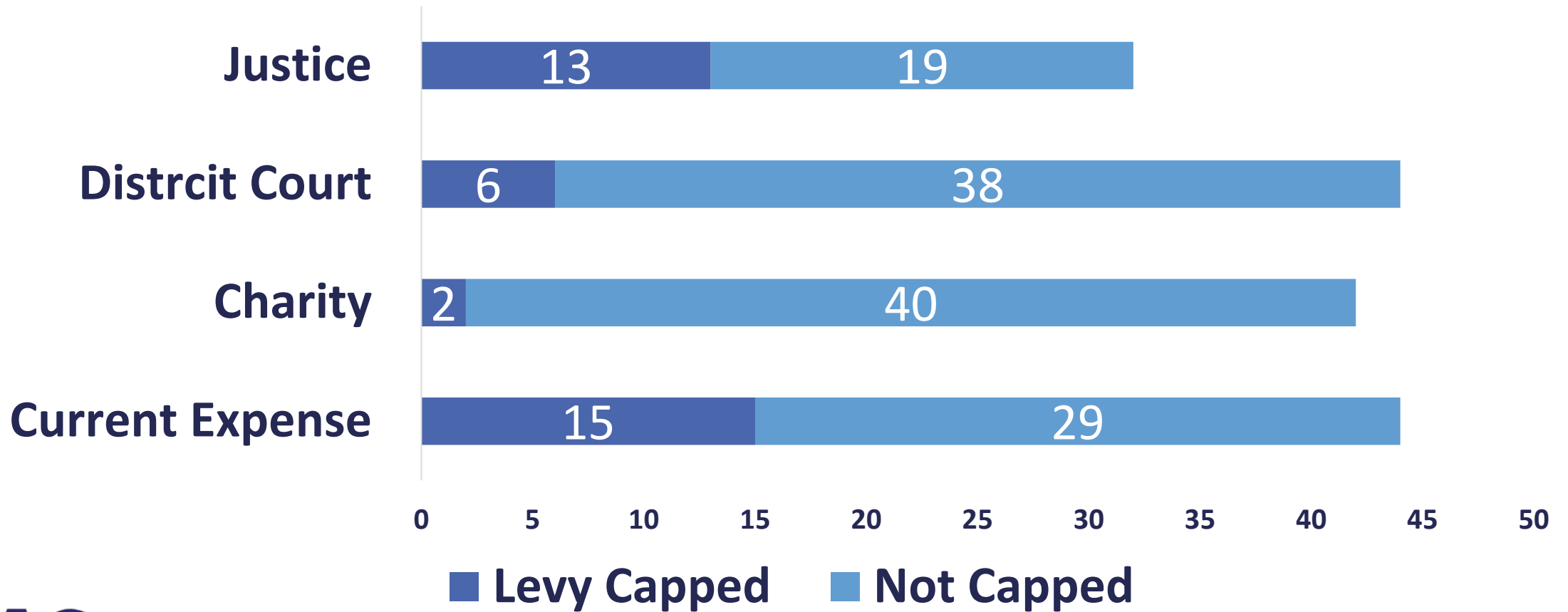
STATUTORY LEVY LIMITS

- Each property tax levy has a statutory levy cap (or ceiling).
- Examples:
 - Current expense levy: .0026 (w/o justice levy) or .0020 (w/justice levy) (IC §63-805)
 - Justice levy: .002 (IC §63-805)
 - District court levy: .0004 (IC §31-867)
 - Charity levy: .001 (IC §31-863)
- Once a property tax levy reaches its limit, it cannot be increased

IMPACT OF BUDGET CAPS ON COUNTIES



INDIVIDUAL COUNTY LEVY CAPS



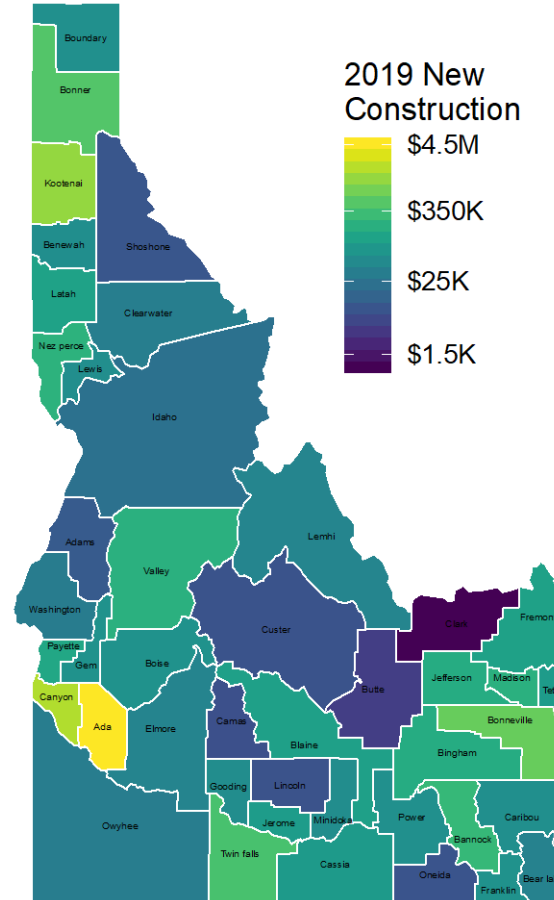
NEW CONSTRUCTION

- New taxable market value from:
 - Construction of new structure,
 - Additions or alterations to existing non-residential structures,
 - Change in land use classification,
 - Increases over base value in urban renewal revenue allocation area after URA is closed, and
- New construction property taxes are calculated by multiplying the prior year levy rate by the new construction taxable market value

MEDIAN NEW CONSTRUCTION AND BUDGET/LEVY CAPS (SOURCE: OPE)



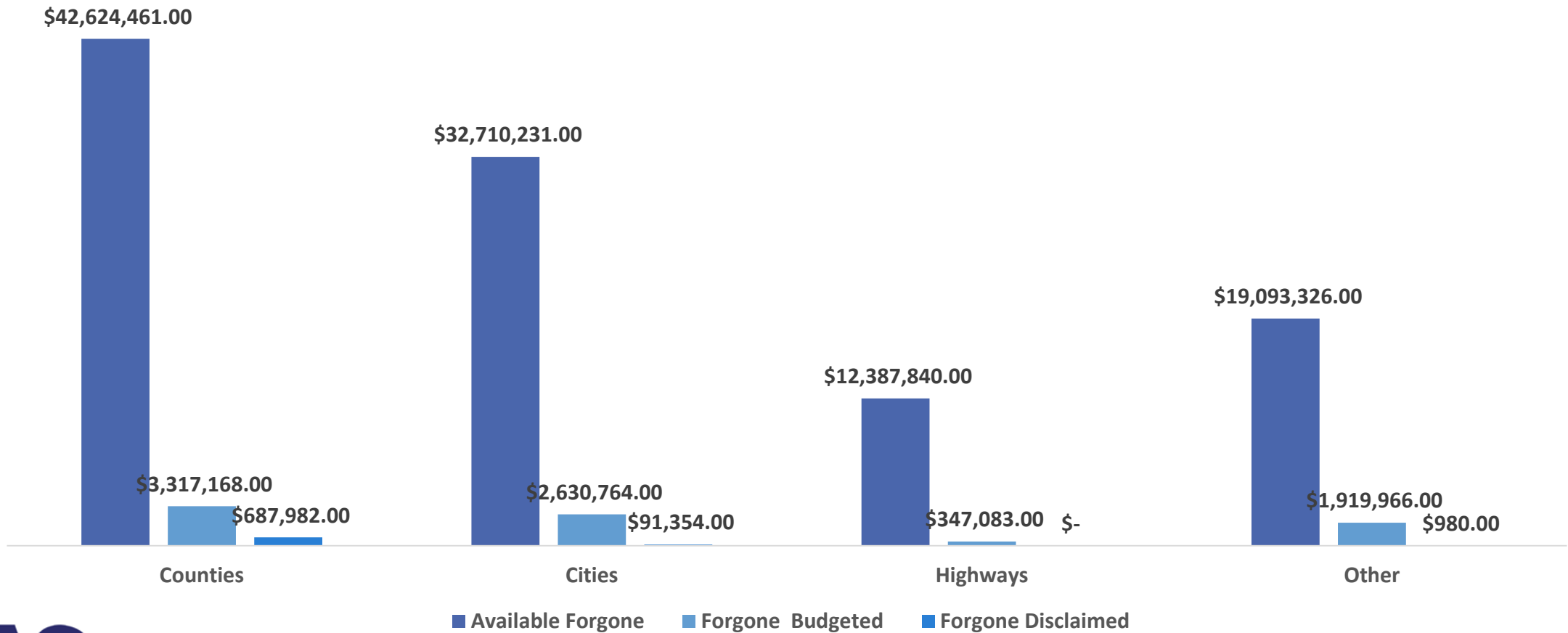
COUNTY NEW CONSTRUCTION PROPERTY TAX REVENUE



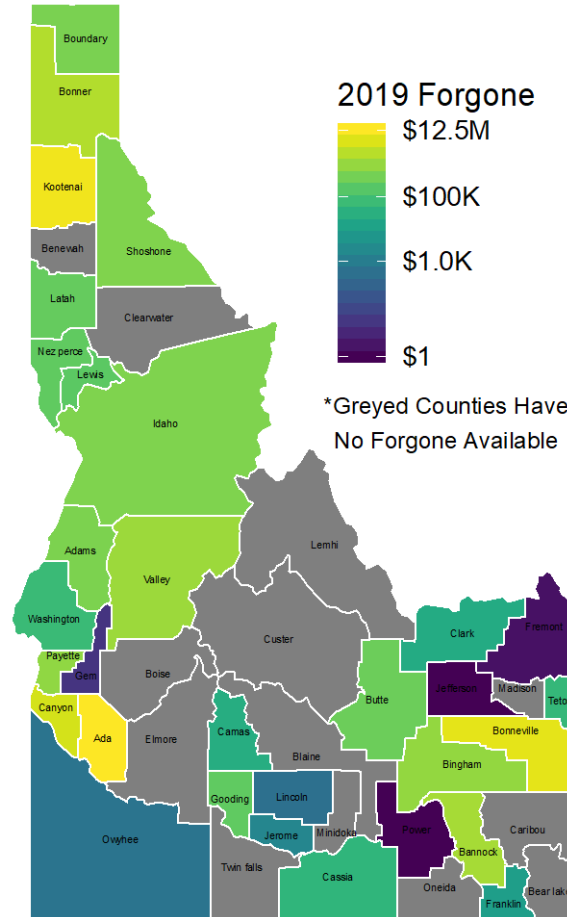
FORGONE PROPERTY TAXES

- Forgone property taxes include amounts that could have been budgeted under the 3% cap but were not
- Authority to budget forgone property taxes never ends
- Tax Commission compiles and maintains list of available forgone property taxes for all taxing districts
- Forgone property taxes should not be treated as a property tax savings account
- Forgone property taxes can only be budgeted during the annual timeframe allowed for setting property tax budgets and levies

STATEWIDE FORGONE PROPERTY TAXES



AVAILABLE COUNTY FORGONE PROPERTY TAX

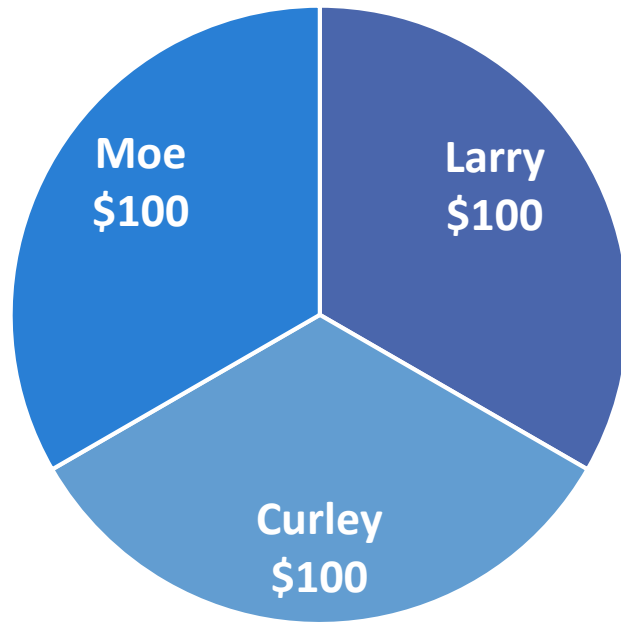


EXEMPTIONS

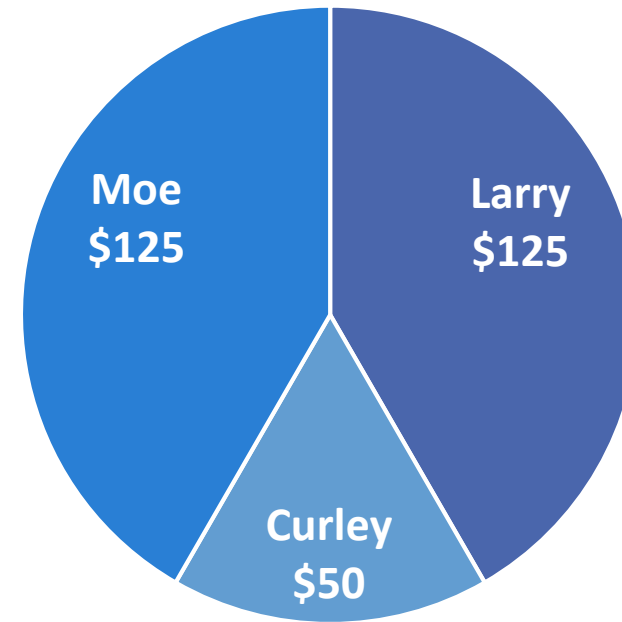
- Because Idaho local governments operate under a budget driven property tax system, exemptions create tax shifts
- If one class of property owners is granted an exemption, the other classes of property owners must pick up the tab
- Exemptions also result in levies hitting levy limits
- 2017 Stats:
 - Full Market Value: \$171,039,066,161
 - Net Market Value: \$138,338,796,019
 - 19.1% of property value is tax exempt

EXEMPTIONS CREATE TAX SHIFTS

\$300 county budget with no property tax exemptions.



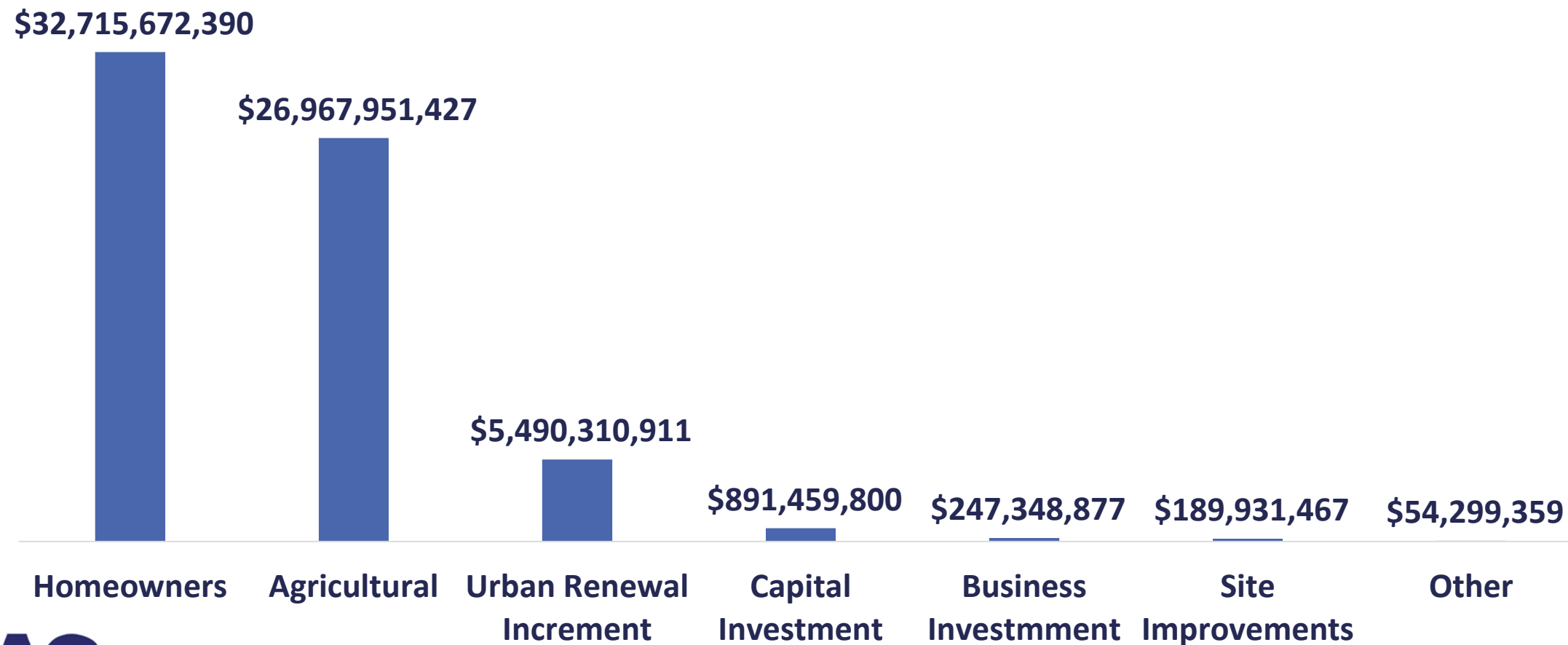
\$300 county budget with Curley benefiting from a 50% property tax exemption.



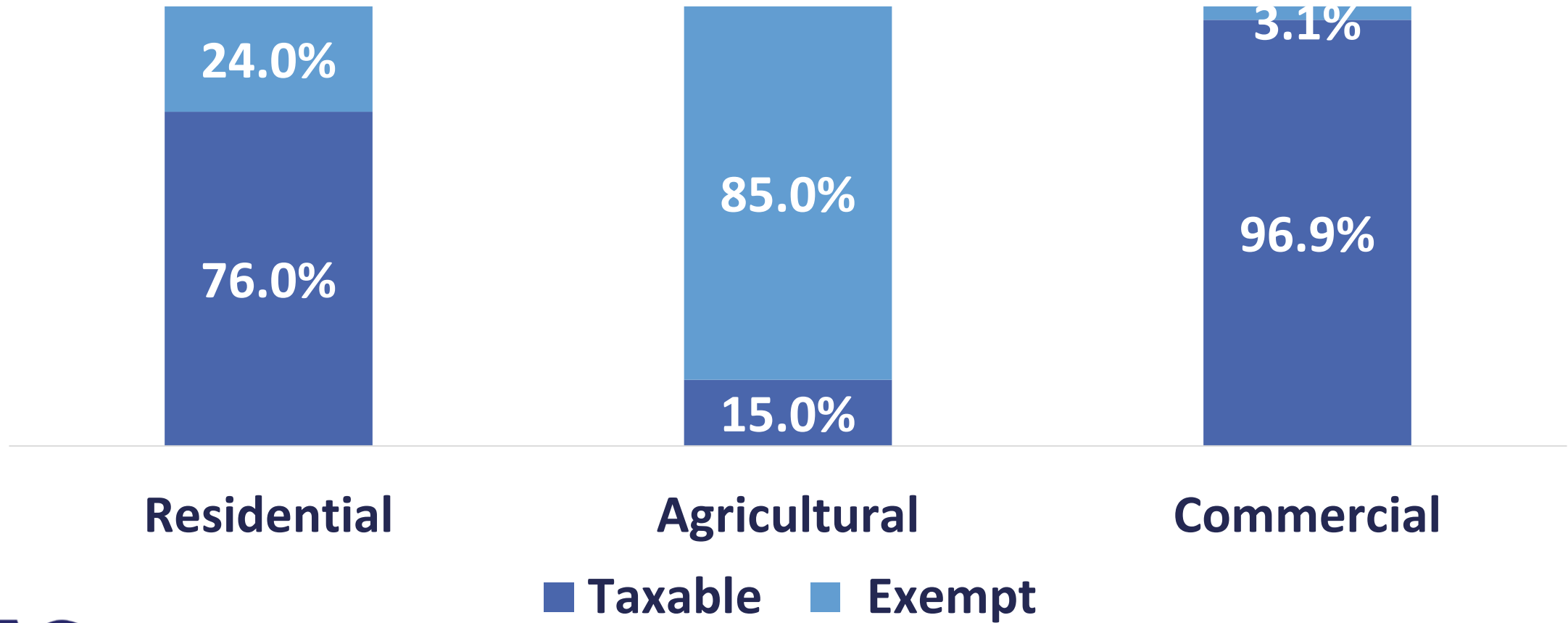
NET TAXABLE MARKET VALUE



EXEMPTIONS



IMPACT OF EXEMPTIONS



COUNTY INDIGENT 101



BRIEF HISTORY OF COUNTY INDIGENT PROGRAM

- Prior to creation of CAT program, counties provided care for medically indigent residents
- As costs increased counties came together via joint power agreements to create health insurance risk pools
- Program was eventually codified and evolved into county indigent/CAT program
- County CAT deductible has increased over time from \$5,000 to \$11,000



MEDICAL VS NONMEDICAL

IC §31-3401:

- BOCC shall evaluate the need and provide nonmedical assistance on a temporary basis for indigent persons
- County policies and procedures to be adopted by resolution
- Negotiate payments/contracts with providers

IC §31-3503:

- Pay first \$11,000 of indigent medical claims per year for county residents
- Contract with providers for services
- Provide for county hospitals

NONMEDICAL INDIGENT ASSISTANCE

- Indigent burial
- Rental/housing assistance
- Utility assistance

MEDICAL INDIGENT ASSISTANCE

- Basic criteria:
 - Must be a county resident
 - Unable to pay off medical expenses within 60 months given income and living expenses
 - Medical care must be medically necessary
 - Also:
 - Timing of application (31 days for emergency medical services, 10 days for non-emergent medical services)
 - Completed application
 - Accurate information in completed application



MENTAL HEALTH – PROTECTIVE CUSTODY (PC) HOLDS

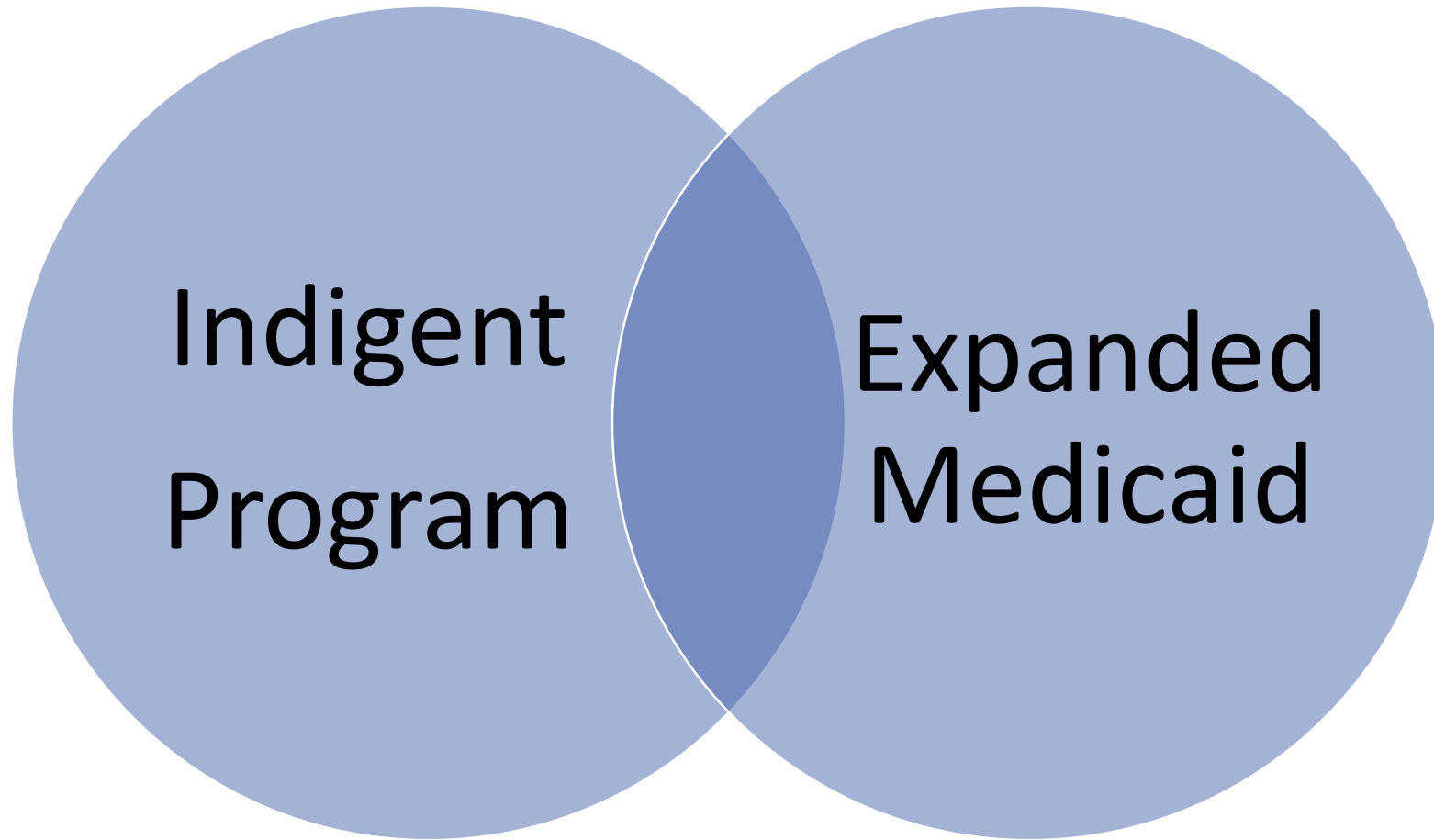
- County is responsible for costs associated with the involuntary commitment of individuals to psychiatric facilities
- County covers costs until the individual is released from custody or is committed to a state facility
- \$11,000 cap on county medical indigent payments does not apply to involuntary commitments
- County pays either the Medicaid rate or a negotiated contract rate
- CAT program does not cover expenses associated with an involuntary commitment



IMPACT OF MEDICAID EXPANSION



INDIGENT PROGRAM VS MEDICAID



INDIGENT PROGRAM VS MEDICAID

- The county indigent program is need based
 - May include individuals who do not qualify for Medicaid expansion
- Medicaid expansion is an entitlement program
 - Not everyone receiving assistance from the county indigent program will qualify for Medicaid expansion
 - Many individuals who do not use the county indigent program will enroll in Medicaid

INDIGENT PROGRAM POST MEDICAID EXPANSION

- County residents without insurance making more than 138% of FPL may still qualify for indigent medical assistance
- No individual mandate means more Idahoans will roll the dice and not purchase insurance on the exchange

ACCESS TO HEALTH CARE



Open Enrollees



Emergency Enrollees



Income Exceeds 138% FPL

ADMINISTRATIVE COSTS

- Counties will require staff to process and investigate indigent applications for those whose income exceeds 138% of the FPL
- Counties will require staff to process and investigate indigent applications for individuals who fail to enroll in Medicaid but qualify (90 day retroactivity)
- Counties will not require staff for those who enroll on their own in Medicaid

CHALLENGES/AREAS OF CAUTION



CHARITY LEVY (IC §31-863)

- Non medical indigent expenses
- Medical indigent expenses
- Involuntary PC mental health holds
- Jail medical
- Indigent public defense (\$32 million and growing)

COUNTY JUSTICE LEVY PRESSURES

- Many counties are justice levy capped
- Levy capped counties are paying for justices related expenses like public defense and jail medical from the charity levy
- Loss of charity levy authority would leave counties without a resource to pay for costly public defender and jail medical expenses

IMPORTANCE OF IMD WAIVER

- If IMD waiver is delayed or not granted, counties will continue to incur significant mental health expenses for involuntary protective custody holds
- Approximately 37% of county indigent medical expenses statewide are for involuntary PC holds

MEDICAID EXPANSION DID NOT REPEAL INDIGENT/CAT PROGRAMS

- Approximately 15% of statewide indigent medical expenditures are for services received by individuals making above 138% of the FPL
- In some counties the number is as high as 60%

FINANCIAL COMPLICATIONS

- If the IMD waiver is not granted and if county indigent statutes are not amended, counties will easily see a continued indigent medical liability of at least 50% of current indigent medical expenses

TAX CREDIT WAIVER FOR THOSE 100-138% OF FPL

- S1204 directs IDHW to seek a waiver to allow individuals with incomes between 100% and 138% of FPL to receive tax credits to purchase private insurance on the exchange
- If waiver is granted, these individuals may choose between Medicaid and private insurance subsidies
- Those that choose not to enroll in Medicaid or purchase subsidized insurance may end up before the county
- Approximately 18% of Idahoans receiving assistances through the CAT program have incomes between 100% and 138% of FPL

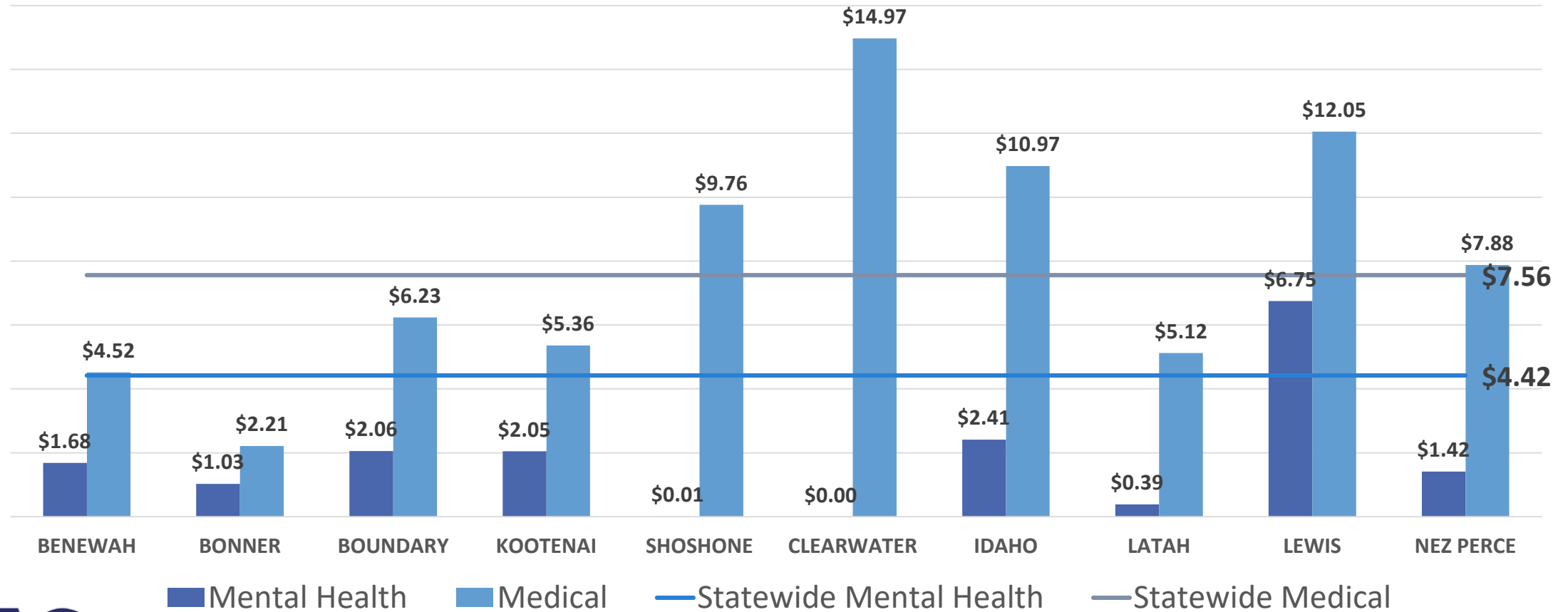
REVENUE SHARING

- Sales tax revenue sharing is treated as general fund revenue
 - Counties budget revenue sharing primarily for justice related services
- Charity levy property taxes are dedicated revenues
 - Because of justice levy caps, charity levy property taxes cannot be easily shifted to the justice levy
 - Reduction of revenue sharing will disproportionately impact counties
 - Reduction of revenue sharing will reduce funds available for an already financially strapped county criminal justice system

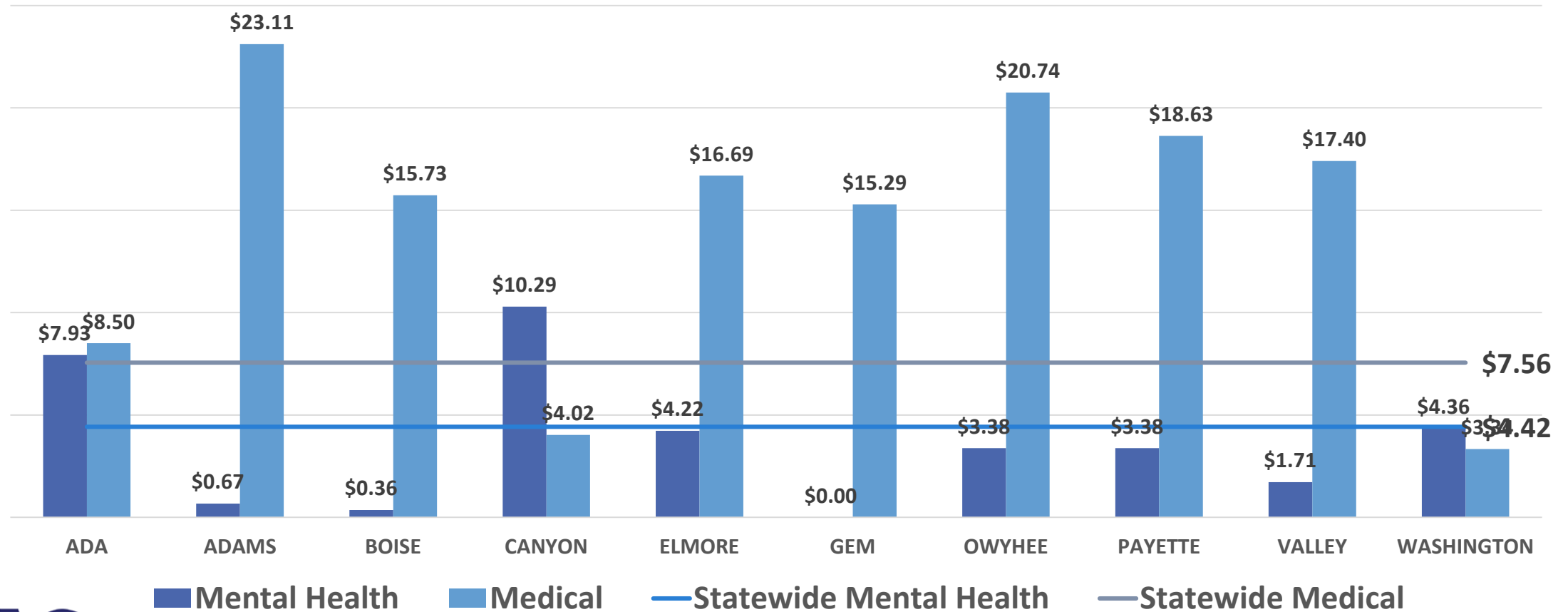
HOUSE BILL 290

- Would have required counties to pay 45% of the cost associated with enrolling county residents in Medicaid expansion

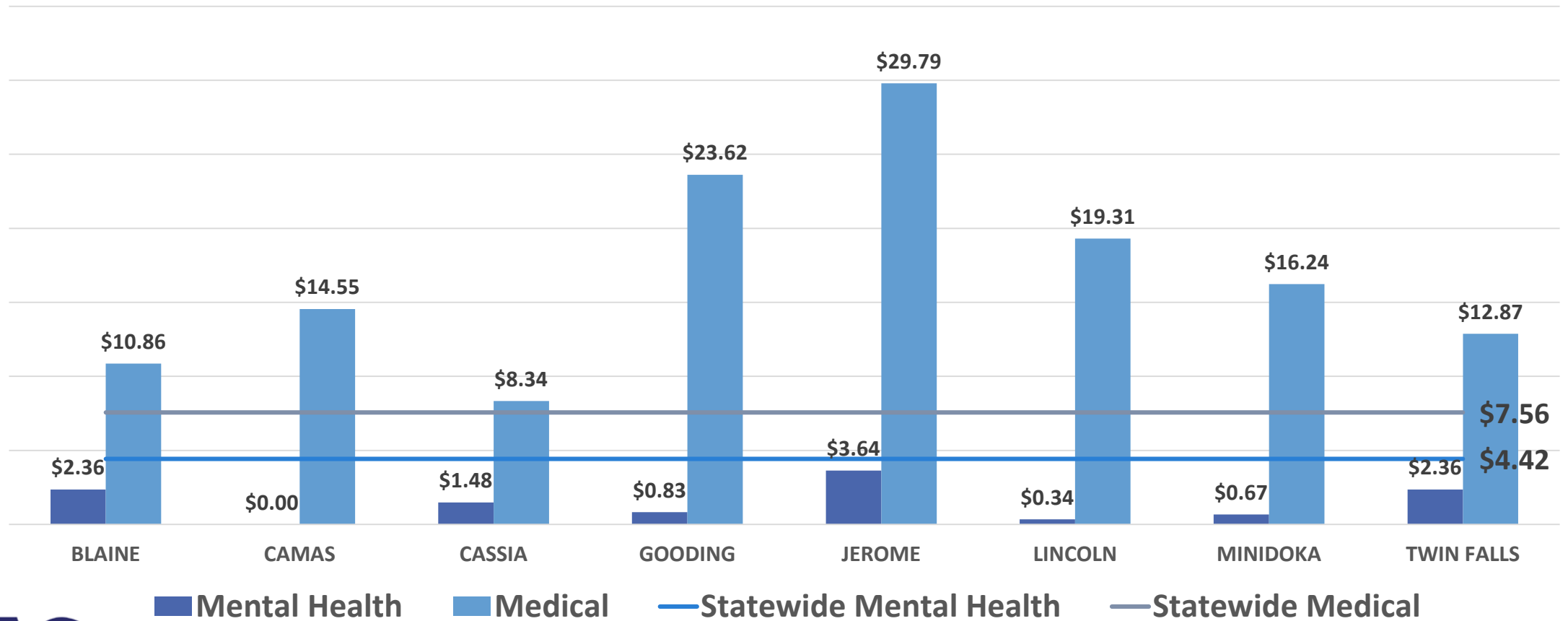
PER CAPITA INDIGENT SPENDING – NORTH IDAHO



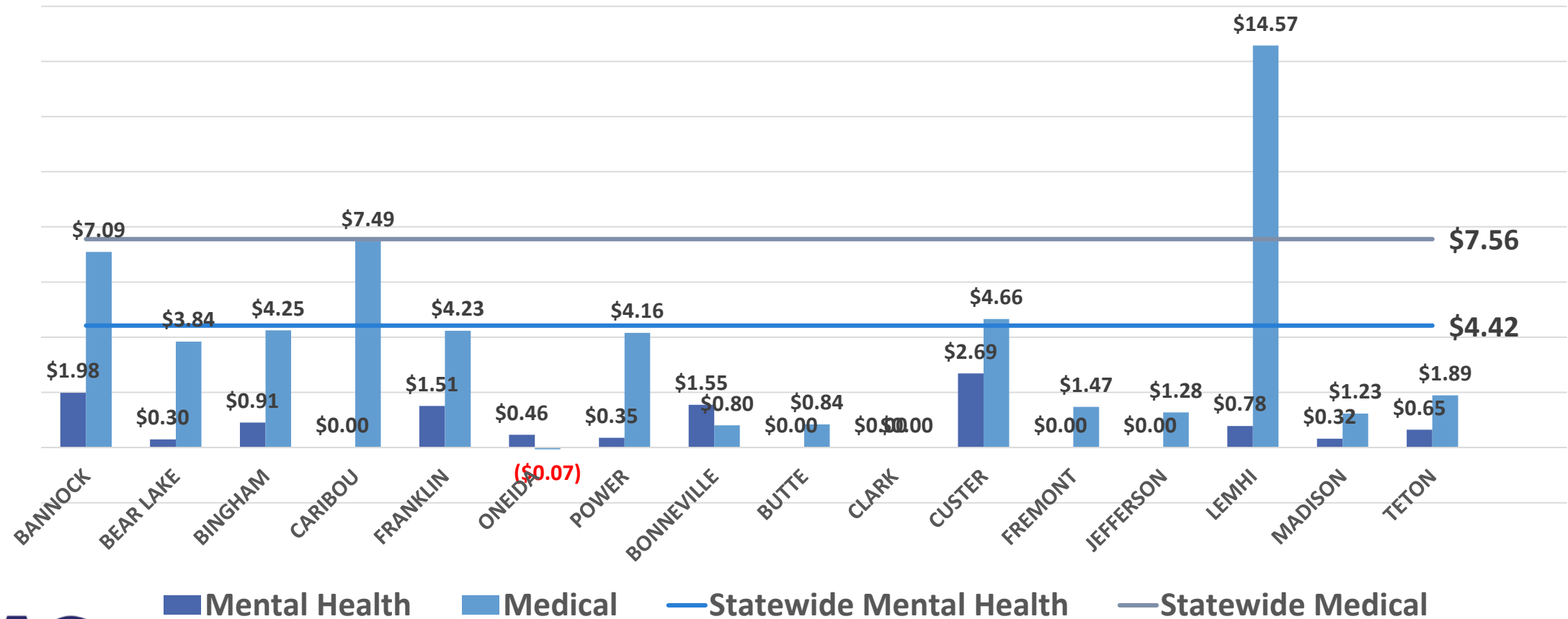
PER CAPITA INDIGENT SPENDING – WESTERN IDAHO



PER CAPITA INDIGENT SPENDING – SOUTH CENTRAL IDAHO



PER CAPITA INDIGENT SPENDING – EASTERN IDAHO



COUNTY ASSESSMENTS FOR MEDICAID EXPANSION

- Equity
- Parity

MADISON COUNTY EXAMPLE

2018 L-2 Worksheet (must be attached to the L-2 form)				
Madison County				
Computation of allowable 3% budget increase:				
*Enter the amount from the "Highest Non-Exempt P-Tax Budget + P-Tax Replacement" column from the "Maximum Budget and Forgone Amount Worksheet."	(1)	✓	12,034,019	
Multiply line 1 by 3%.	(2)	✓	361,021	
Enter the amount you received for Solar Farm Tax from the immediate prior year.	(3)			
County New Construction allowable budget increases:				
Enter the County's (less Road and Bridge) 2018 new construction roll value.	(4)	✓	39,606,884	
Enter the County's (less Road and Bridge) 2018 approved non-exempt levy rate.	(5)	✓	0.005143061	
New construction roll allowable budget increase (multiply line 4 by line 5)	(6)			203,701

MADISON COUNTY

▪ 3% + Forgone:	\$361,021	
▪ New Construction:	<u>+\$203,701</u>	
▪ Total New P-Tax Revenue:	\$564,722	
▪ Medicaid H0290 Enrollment Expense:	<u>-\$597,680</u>	
▪ Available Revenue:	-\$32,958	
▪ Medicaid Expense as % of 2018 Budget:		4.97%
▪ Indigent Expense as % of 2018 Budget:		0.5%

ADA COUNTY EXAMPLE

- 2018 Medical Indigent Expense: \$3,996,666
- 2018 Mental Health Indigent Expense: \$3,726,254
- H0290 Medicaid Enrollment Expense: \$3,691,166
- Savings to Ada Co. w/IMD waiver: \$4,031,754*
- Savings to Ada Co. w/out IMD waiver: \$305,500*

*Assumes county no longer responsible for medically indigent, if indigent program continues there will be no savings

DOUBLE DIPPING

- Unless Idaho Code is amended, counties will continue paying indigent medical expenses for county residents who do not have private insurance and do not qualify for Medicaid
- Requiring counties to continue to pay medical expenses for county residents who do not have insurance **AND** to begin paying for state Medicaid expansion expenses will create two expense liabilities for counties
- Counties cannot afford to maintain both programs
- The property tax is the least popular tax and “double dipping” will raise property taxes



PROPERTY TAX RELIEF

- If counties are not assessed for Medicaid expansion, any savings realized by counties could be passed on to property taxpayers by way of budget reductions
- The legislation would be complicated, but it could be done

THANK YOU!

