



Hamilton County Children's Services Levy Analysis

CLARK
SCHAEFER
CONSULTING

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Executive Summary



1

We concur with the findings of levy administration and PCG. Our independent review confirms a material decline in the levy balance from \$145.8M in 2021 to \$41.9M in 2025, a 71% drawdown. Annual plans had anticipated a cumulative \$68.6M shortfall across 2022-2025; what stands out is the pace, with actuals exceeding plan by \$69.6M combined in 2024 and 2025, driven almost entirely by Out of Home placements.

2

The underlying data is sound. We replicated the sources and methods used in prior computations and found no evidence in the 2022, 2023, or 2024 audits to suggest issues with the validity of the underlying data or financial reporting.

3

Procurement and service delivery warrant a closer look. With Out of Home and Contract services concentrated in a small set of vendors and categories respectively, and growing rapidly, the County has an opportunity to strengthen oversight of quality, value, and delivery, building a defensible story ahead of any levy renewal or increase.

Overview of Key Deliverables



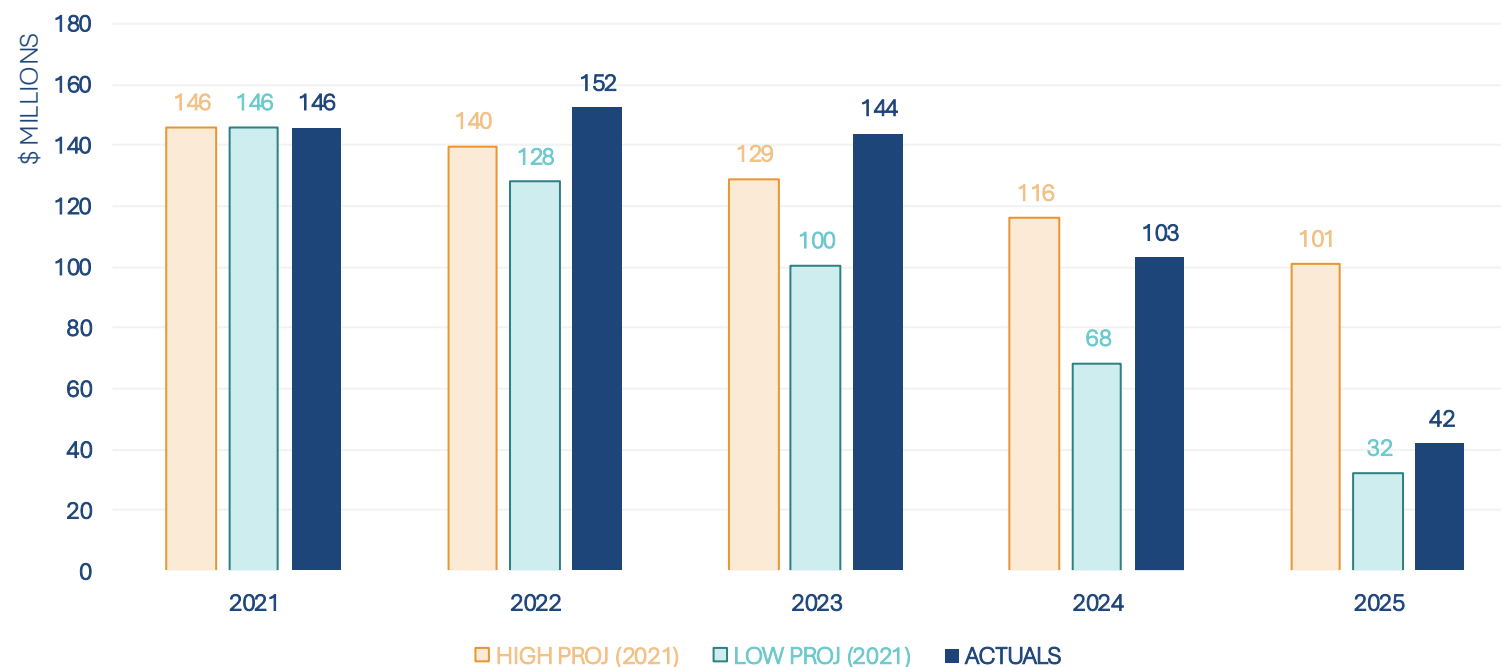
Deliverable	Deliverable Name	Page(s) Referenced
1	Trends of categorical expenditures including any services added or removed	<u>9, 10, 11, 12</u>
2	Financial summary of revenues and expenditures for full years 2022-2025	<u>6, 7, 8</u>
3	Analysis of levy balance vs. the projections and assumptions	<u>5</u>
4	Quantify the drivers of variance between projections and actuals	<u>5</u>
5	Specific consideration of (3) assumed root causes: cost of care, labor, and prevention	<u>10</u>
6	Summary report of revenue and expenditure trends 2022-2025 with forecasted 2026 impacts	<u>6, 7, 8, 13</u>
7	Independent consideration of prior year audits 2022-2024 with specific regard to outstanding or unresolved issues	<u>14</u>

Levy Balance Review, 2021–2025

The levy balance has declined sharply from **\$145.8M in 2021** to **\$41.9M in 2025**; a roughly 71% reduction over five years.

Actual balances outperformed both PCG scenarios in 2022 and 2023, then deteriorated rapidly beginning in 2024. The 2025 ending balance of \$41.9M now sits within the projected range, heavily weighted toward the Low Projection (\$32.4M) rather than the High (\$101.0M).

Ending Levy Balance vs. Projections, 2021-2025



	2021	2022	2023	2024	2025
HIGH PROJ (2021)	\$145,832,253.13	\$139,748,859.13	\$128,961,751.13	\$116,044,995.13	\$101,006,082.13
LOW PROJ (2021)	\$145,832,253.13	\$127,965,921.13	\$100,487,953.13	\$68,386,499.13	\$32,356,667.13
ENDING LEVY BALANCE	\$145,832,253.13	\$152,213,969.96	\$143,949,705.90	\$102,966,136.02	\$41,940,773.51

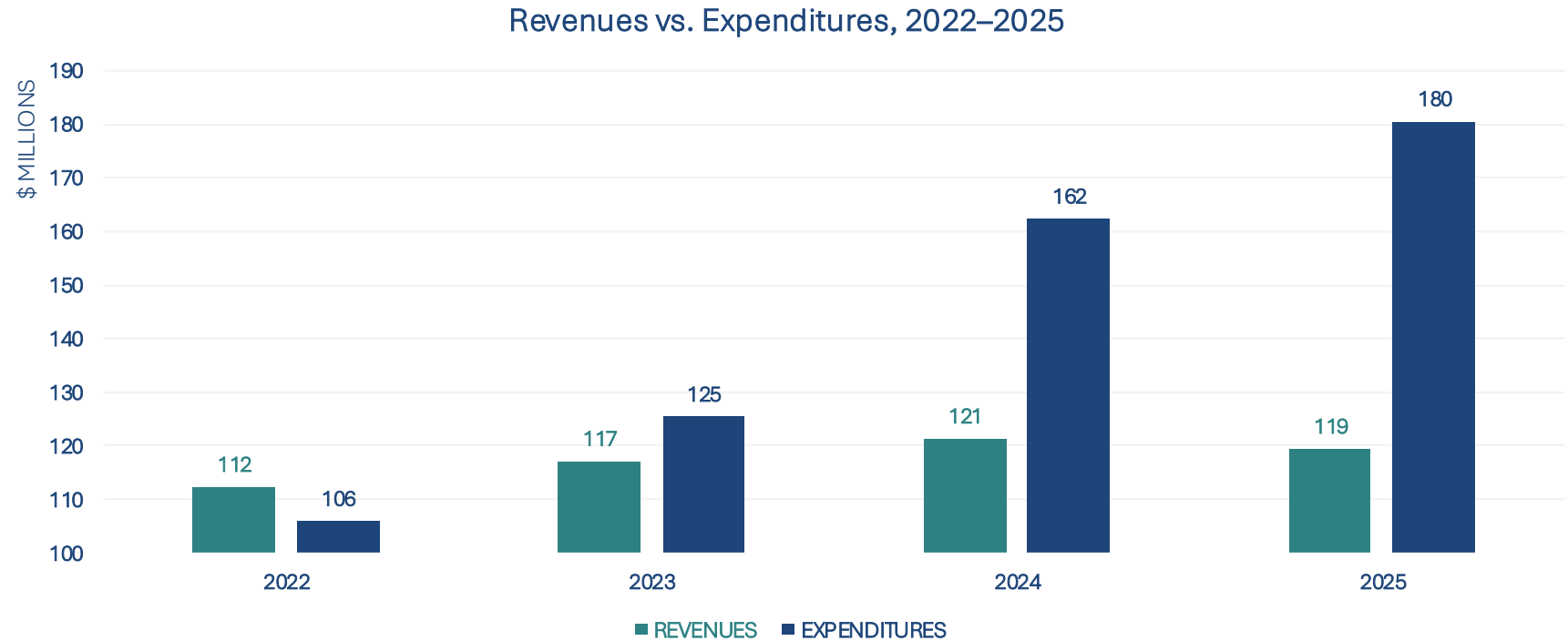
Revenues vs. Expenditures, 2022–2025



Operations have shifted from a **\$6.4M surplus in 2022** to a **\$61.0M deficit in 2025**, with each year deteriorating since 2022.

Revenues grew 6.3% over the period (\$112.3M to \$119.4M), while expenditures rose 70.3% (\$105.9M to \$180.4M).

The cumulative four-year shortfall of \$103.9M is the primary driver of the levy balance drawdown.



	2022	2023	2024	2025	GRAND TOTAL
REVENUES*	\$112,302,584.21	\$117,113,497.45	\$121,307,104.36	\$119,417,203.95	\$470,140,389.97
EXPENDITURES*	\$105,920,867.38	\$125,377,761.51	\$162,290,674.22	\$180,442,566.48	\$574,031,869.59
DIFFERENCE	\$6,381,716.83	\$(8,264,264.06)	\$(40,983,569.86)	\$(61,025,362.53)	\$(103,891,479.62)

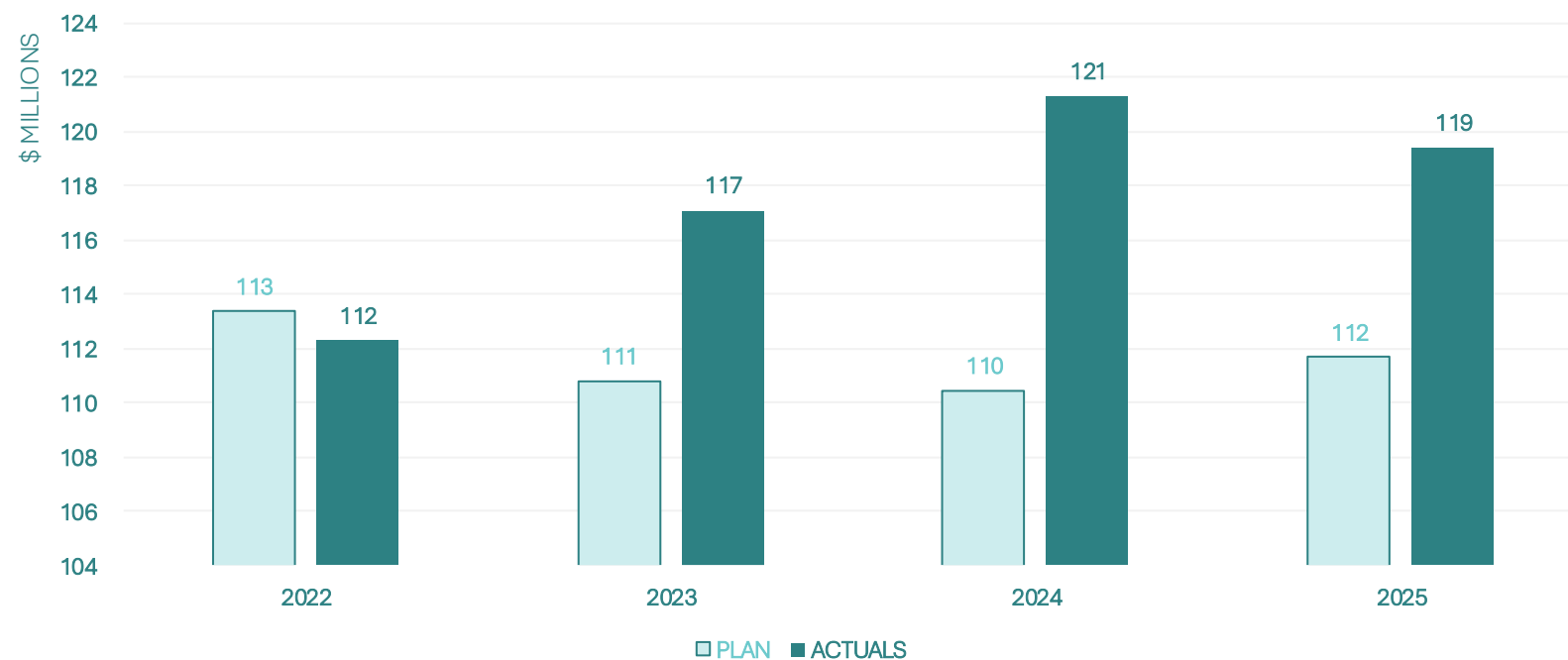
* We have excluded the \$55.56M interfund advance recorded in the Health & Human Services Levies Fund in 2022, 2024, and 2025, which relates to the County's acquisition of the former Mercy Health building for JFS consolidation.

Revenue Plan vs. Actuals, 2022–2025

Revenue exceeded plan in 3 of 4 years, with actuals climbing from \$112.3M in 2022 to \$119.4M in 2025 (+6.3%) against a roughly flat plan.

- **Cumulative 2022–2025:** actuals beat plan by \$23.8M.
- **Largest favorable variance** came in 2024: actuals of \$121.3M outpaced plan by \$10.8M (+9.8%).
- **2025 actuals** of \$119.4M came in \$7.7M above plan (+6.9%), though down slightly from 2024.

Revenues Plan vs. Actuals, 2022–2025



REVENUES	2022	2023	2024	2025	GRAND TOTAL
PLAN	\$113,377,078.00	\$110,815,454.00	\$110,462,895.00	\$111,683,450.00	\$446,338,877.00
ACTUALS	\$112,302,584.21	\$117,113,497.45	\$121,307,104.36	\$119,417,203.95	\$470,140,389.97
DIFFERENCE	\$(1,074,493.79)	\$6,298,043.45	\$10,844,209.36	\$7,733,753.95	\$23,801,512.97

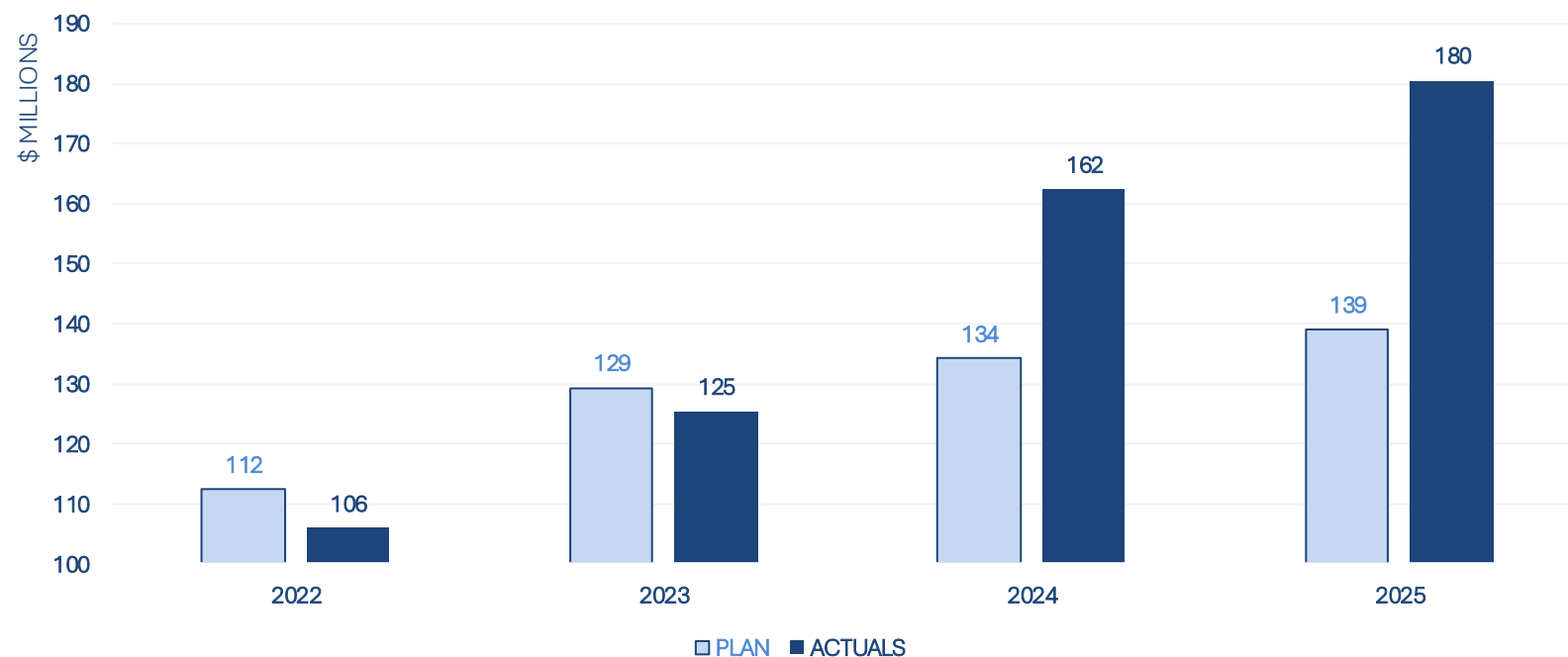
Expenditure Plan vs. Actuals, 2022–2025



Expenditures shifted from under-budget to materially over-budget beginning in 2024, with actuals reaching \$180.4M in 2025 vs. a \$139.0M plan (+29.8%).

- **Cumulative 2022–2025:** actuals exceeded plan by \$59.1M.
- **2022–2023** ran under plan by 3–6%, with actuals of \$105.9M and \$125.4M.
- **2024–2025** reversed the trend: actuals exceeded plan by \$28.2M and \$41.4M respectively.

Expenditures Plan vs. Actuals, 2022–2025

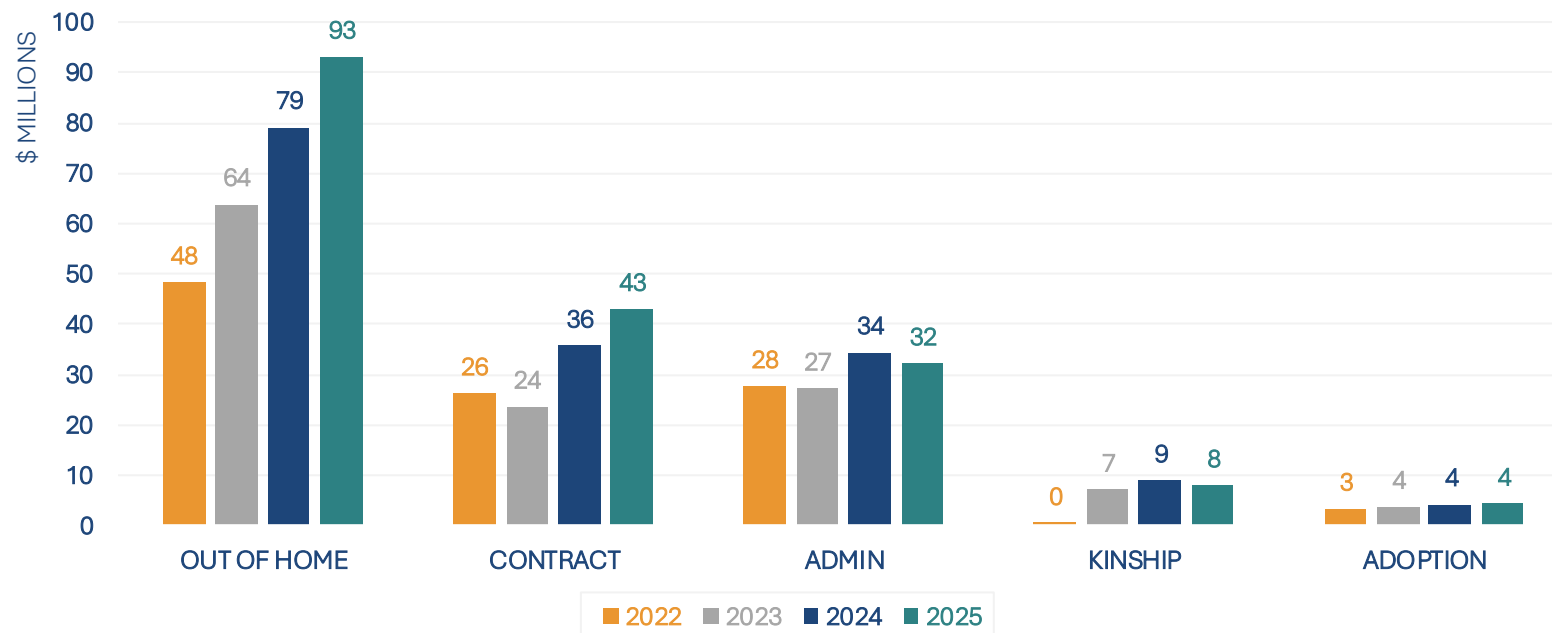


EXPENDITURES	2022	2023	2024	2025	GRAND TOTAL
PLAN	\$112,409,720.00	\$129,339,786.00	\$134,130,568.00	\$139,002,831.00	\$514,882,905.00
ACTUALS	\$105,920,867.38	\$125,377,761.51	\$162,290,674.22	\$180,442,566.48	\$574,031,869.59
DIFFERENCE	(\$6,488,852.62)	(\$3,962,024.49)	\$28,160,106.22	\$41,439,735.48	\$59,148,964.59

Trends of Categorical Expenditures, 2022–2025

Total expenditures grew 70% from 2022 to 2025 (\$105.9M to \$180.4M), driven primarily by Out of Home placements.

- **Out of Home** nearly doubled (\$48.3M to \$93.0M, +92.5%) and remains the largest category at 52% of 2025 spend.
- **Contract services** rose 64.1% (\$26.2M to \$43.0M), with the bulk of growth occurring in 2024.
- **Kinship care** effectively launched as a new service line, scaling from \$0.5M in 2022 to \$8.0M in 2025 as the program was built out.
- **Administrative** costs increased 16.6% (\$27.6M to \$32.2M).
- **Adoption** spending grew 30.3% (\$3.3M to \$4.3M) and remains the smallest category.



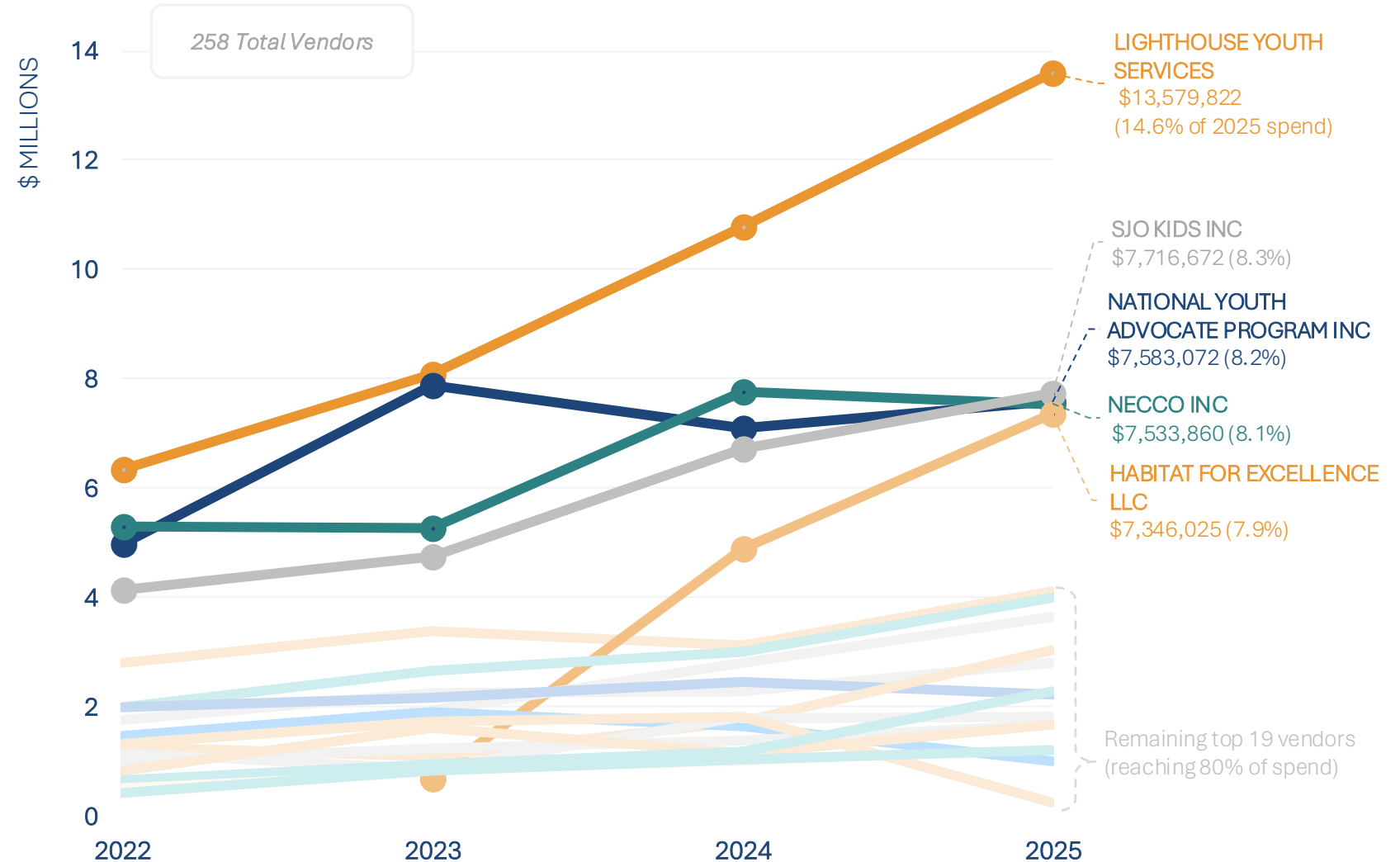
CATEGORY	2022	2023	2024	2025	GRAND TOTAL	PARETO %	CUM %
OUT OF HOME	\$48,265,278.36	\$63,787,950.12	\$79,091,316.06	\$93,033,472.44	\$284,178,016.98	49.5%	49.5%
CONTRACT	\$26,228,671.91	\$23,595,178.96	\$35,664,198.84	\$42,962,729.60	\$128,450,779.31	22.4%	71.9%
ADMIN	\$27,639,432.38	\$27,186,319.12	\$34,368,453.16	\$32,176,001.82	\$121,370,206.48	21.1%	93.0%
KINSHIP	\$466,881.23	\$7,102,592.81	\$8,933,201.03	\$7,954,264.87	\$24,456,939.94	4.3%	97.3%
ADOPTION	\$3,320,603.50	\$3,705,720.50	\$4,233,505.13	\$4,316,097.75	\$15,575,926.88	2.7%	100.0%
GRAND TOTAL	\$105,920,867.38	\$125,377,761.51	\$162,290,674.22	\$180,442,566.48	\$574,031,869.59		

Out of Home Vendor Spend, 2022–2025



Out-of-home spend nearly doubled from 2022 to 2025 (\$48.3M to \$93.0M), reaching \$284.2M cumulative — the largest and fastest-growing category.

- **Concentrated vendor base:** the top 6 vendors drive half of category spend (\$141.7M), and the top 19 cover 80% (\$227.0M).
- **Lighthouse anchors the category:** \$38.8M cumulative (13.6% of category) and \$13.6M in 2025 alone (14.6%).
- **Broad-based growth:** the top 19 vendors averaged 129% growth from 2022 to 2025, with median 87%. 17 of 19 (89.5%) grew.

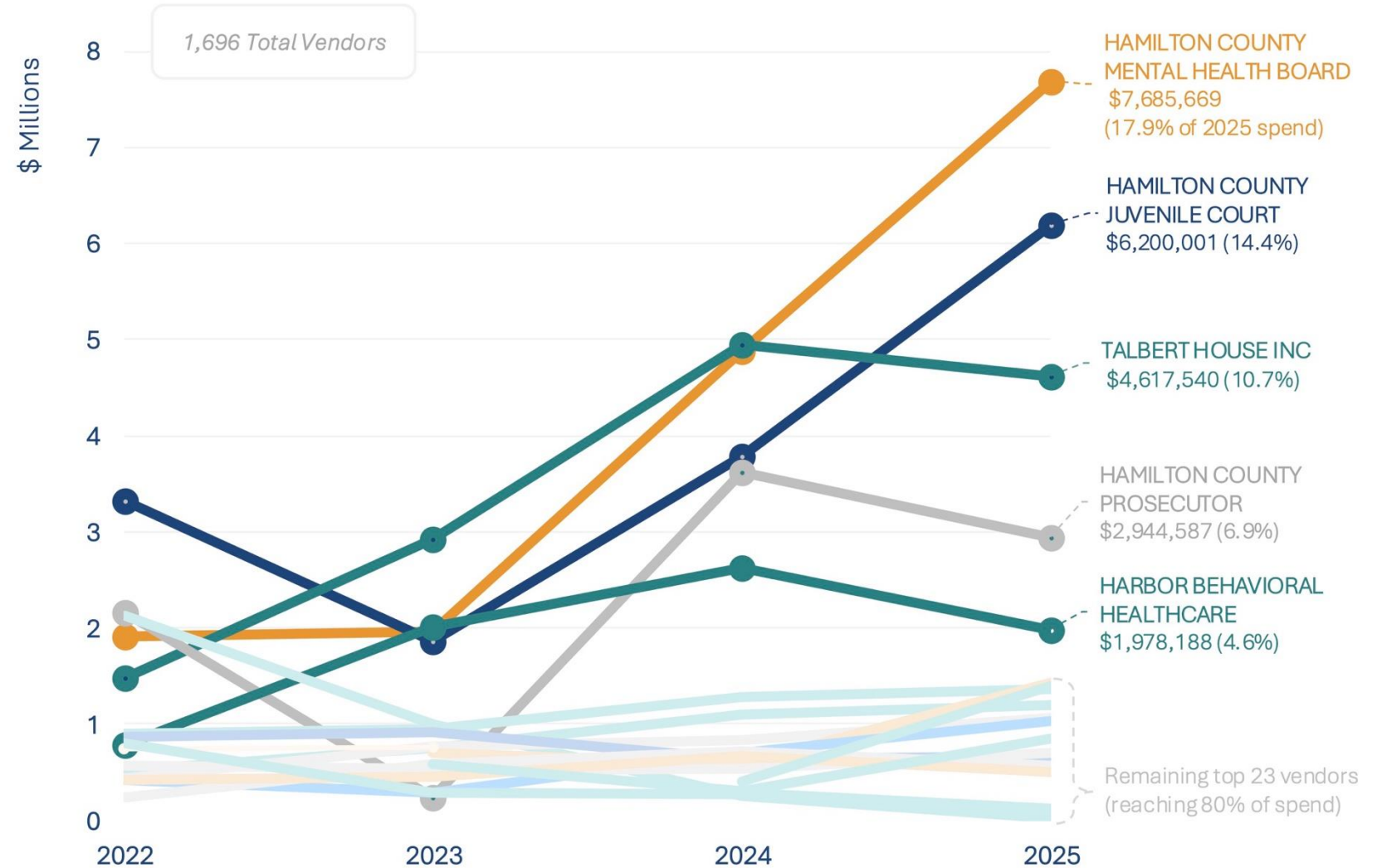


Contract Services Vendor Spend, 2022–2025



Contract services growth is driven by a few outlier vendors, on \$128.5M of cumulative 2022-2025 spend.

- **Vendor concentration:** top 6 vendors account for 52% (\$66.4M); top 23 reach 80% (\$102.4M).
- **Vendor growth:** the top 23 averaged 156% growth and a median growth of 106% from 2022 to 2025.

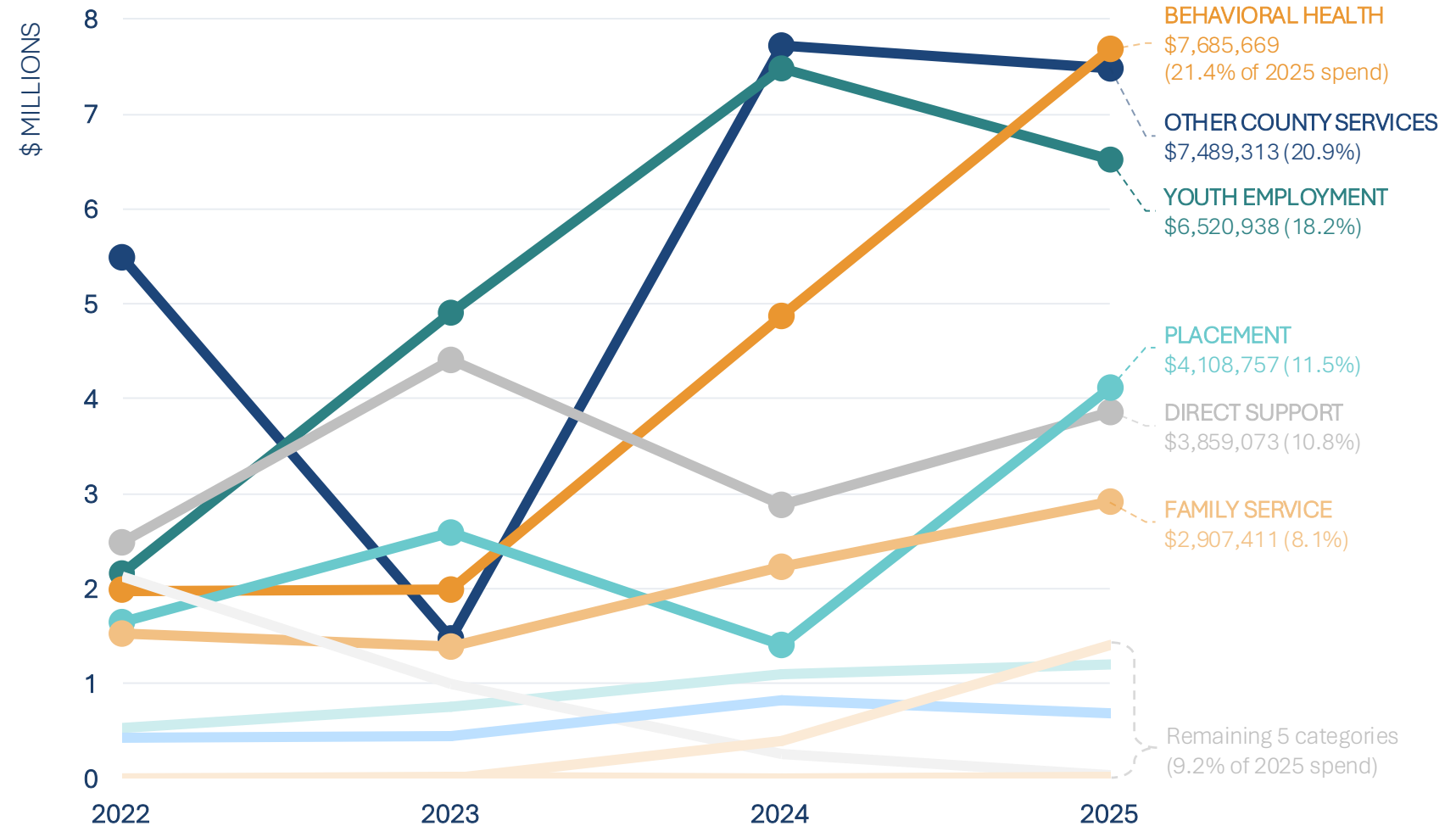


Contract Program Categories Spend, 2022–2025



Behavioral Health overtook Other County Services as the top contract category in 2025, growing nearly 4x since 2022.

- **Top 3 categories** (Behavioral Health, Other County Services, Youth Employment) account for 60.5% of 2025 spend.
- **Sharpest growth from 2022 to 2025:** Behavioral Health (3.9x), Youth Employment (3.0x), Placement (2.5x), Education (2.3x).
- **Long tail:** the remaining 5 categories together make up just 9.2% of 2025 spend.



*Top 23 vendors (of 1,696 total) manually categorized into program areas; these vendors represent 80% of cumulative "Contract" spend across 2022-2025.

| Forecasted 2026 Impacts

The 2026 budget reduces spending by \$22.2M, with cuts concentrated in placement and care.

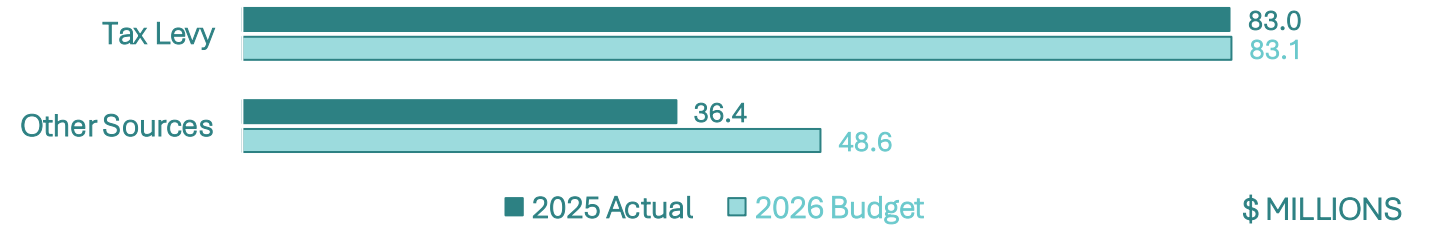
Key Variances:

- **Out of Home Care:** down \$16.5M (largest spending cut)
- **Other Sources of revenue:** up \$12.2M
- **Contract services:** down \$8.0M
- **Administration:** up \$6.9M (only expenditure category growing)

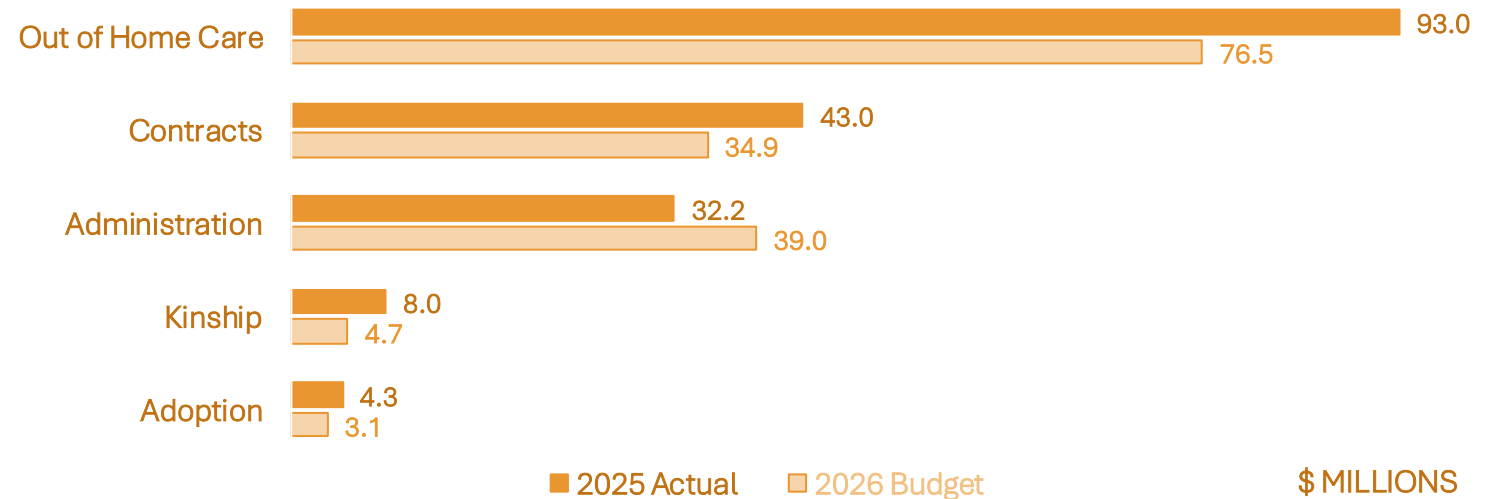
The budgeted 17.7% reduction in Out of Home spend marks a sharp reversal of trend after 92.5% cumulative growth from 2022 to 2025 and will be the leading indicator to track against monthly actuals.

After accounting for reductions, expenditures exceed revenues by \$26.6M, drawing carryover from \$41.9M down to \$15.4M heading into 2027.

Revenues, 2025 Actuals vs 2026 Budget



Expenditures, 2025 Actuals vs 2026 Budget



Review of 2022-2024 Audits



Scope:

- Hamilton County, Ohio Single Audit reports issued by the Ohio Auditor of State for the fiscal years ended December 31, 2022, 2023, and 2024.
- Review limited to matters specifically affecting the Children's Services Levy Fund and the federal programs it supports.

Across all three audits, no findings, questioned costs, or material control weaknesses were reported against the Children's Services Levy Fund.

2022 Audit

- No findings, questioned costs, or compliance issues affecting the Children's Services Levy Fund.
- Material weakness Finding 2022-001 relates to Clerk of Courts bank reconciliations, not the Children's Services Levy Fund.
- Federal programs supported by the levy, including Foster Care Title IV-E (93.658) and Adoption Assistance (93.659), received unmodified compliance opinions with no findings.

2023 Audit

- No findings, questioned costs, or compliance issues affecting the Children's Services Levy Fund.
- Per Management's Discussion and Analysis, social services expenditures across the levy funds rose \$35.5 million year-over-year. The Children's Services levy was the largest contributor through adoption assistance, child placements, and kinship stipends, with the Senior Services levy also driving meaningful growth; combined, the two accounted for \$26.9 million of the increase.

2024 Audit

- No findings, questioned costs, or compliance issues affecting the Children's Services Levy Fund.
- Per Management's Discussion and Analysis, the Children's Services Levy Fund had expenditures \$35.9 million higher than 2023, attributed to retention efforts, kinship caregiver support, enrichment activities for children in care, and partner agency payments.
- Material weakness Finding 2024-001 relates to other areas of county financing, not the Children's Services Levy Fund.



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