NYSAC Albany Update
State Budget Review &
Advocating County Priorities in Albany
Agenda

- The SFY 24 Budget – The Big Picture
- Why It Matters to Counties
- Advocating County Priorities
  - Post-Budget Advocacy
THE EXECUTIVE BUDGET
Assumed a $22B, 4-year gap but used minimal reserves to fill them.

Prefunded state reserves by $5.4B (2 years ahead of schedule), reaching $19B. The final budget leaves these reserves untouched.

Projected a GF balance of $36 billion at the end of SFY 2024. Remains the case in the enacted budget.

Revenue Consensus Forecast added $800M in fiscal resources.

After the revenue consensus, the Comptroller found tax collections for SFY 2023 were $3B higher than projected weeks earlier.

### Changes in State Finances Since COVID Pandemic

<table>
<thead>
<tr>
<th>State Budget Monitoring Point</th>
<th>Projected 4-year (Deficit)/Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2020 - SFY 2021 Enacted Budget</td>
<td>($69B)</td>
</tr>
<tr>
<td>January 2021 - SFY 2022 Introduced Budget</td>
<td>($11B)</td>
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<tr>
<td>April 2021 - SFY 2022 Enacted Budget</td>
<td>($3.4B)</td>
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<tr>
<td>September 2021 - SFY 2022 Mid-year Update</td>
<td>$16.4B</td>
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<tr>
<td>January 2022 - SFY 2023 Introduced Budget</td>
<td>$38.6B</td>
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<td>March 2022 - SFY 2023 Revenue Consensus</td>
<td>$40B</td>
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<tr>
<td>May 2022 - SFY 2023 Enacted Budget</td>
<td>$0B</td>
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<tr>
<td>November 2022 - SFY 2023 - Mid-year Update</td>
<td>($12.9B)</td>
</tr>
<tr>
<td>January 2023 - SFY 2024 Exec. Budget baseline</td>
<td>($22B)*</td>
</tr>
</tbody>
</table>

* Gap do not reflect the use of any reserves to balance operations
The most adjustment that feeds the $22 billion deficit is lowering tax receipts each year of the financial plan.

Downward revisions are consistent with DOB’s economic forecast, which called for a mild recession in the first half of CY 2023.

The enacted budget Financial Plan should be out by mid-June.
Governor’s Budget Priorities

• Metropolitan Transportation Authority (MTA) Solvency
  Facing severe shortfalls, the Governor proposed new revenues for the MTA – requiring NYC to pay $500M annually to the MTA and increasing the MCTD region payroll tax by 50% raising another $800M. MODIFIED – NYC at $165M per year. Payroll tax increase only applies in NYC and increases the size of the rate on the largest employers more than what the Governor proposed ($1.1B). Requires MTA to find $400M in efficiencies. Adds $300M in one-time state aid.

• Stabilizing the State’s Health Care System
  Hospitals & other health providers are facing staffing shortages & financial losses.

• Medicaid Deficit
  While the State Medicaid program begins SFY 2024 with a funding deficit of $800 million and growing thereafter, the Governor’s Budget proposed expanding Medicaid benefits and services by $415 million annually by SFY 2025. Adopted budget provides hospitals a 7.5 percent rate increases for in-patient services and 6.5 percent for out-patient services, nursing homes and Assisted Living programs receive a 6.5 percent rate increase ($535M). Total proposed Medicaid increases of more than $1.6B are offset by some cost containment and revenue enhancements – the largest offset being the intercept of $625 million in federal eFMAP savings currently provided to counties and NYC.
Governor’s Budget Priorities

• **Fully funding K-12 education** increases started two years ago ($3.1B) – ADOPTED – Plus increases spending to cover more free school lunches ($134 million), $50 million over 5 years to use local farm products in schools

• **Asylum Seeker Funding** Increases state support for one year ($700 million) ADOPTED at $1 billion

• **Expanding Mental Health** inpatient, outpatient, and supportive services (FY 2024: $134M) and (FY 2025: $276M). Part of a multi-year $1B investment. Prohibits insurers from denying MH services. ADOPTED

• **Increase Housing Stock** through capital support and overriding local zoning if certain targets are not met - REJECTED

• **SUNY Funding** - Providing matching funds to increase the SUNY centers endowments (max. of $500M) ADOPTED. Plus 3%-6% tuition increases. Tuition increases REJECTED – Budget provides more direct state aid to avert tuition increase

• **Reducing Utility Costs** - Monthly discounts on residential energy bills for moderate-income customers (FY 2024: $200M) and (FY 2025: $50M) ADOPTED at $400 million
Governor’s Proposed Spending Priorities

• K-12 School Aid and Medicaid consumes most of the general fund local aid spend & is targeted for large increases over the next 5 years. **ADOPTED - higher than Governor proposed**

• New York’s Medicaid program is the most expensive in the country by many metrics. The proposed budget would grow state costs by nearly 50% over the next 5 years.
Why It Matters To Counties

• **Local Sales Tax Permanency** – Makes permanent local sales tax authority up to 4% without further state legislative approval. Requires local renewal every two years in odd years. Makes permanent all sales tax sharing arrangements that are written in state statute. **REJECTED**

• **Pension Amortization Reforms** – After The Great Recession the state created pension contribution stabilization programs to smooth volatility for employers. Reforms provide more flexibility for employers over their required pension reserve deposits and allows employers to exit the program (12 counties in program) **ADOPTED**

• **Modify the Investment Tax Credit for Farmers** – Makes the credit refundable for eligible farmers. Today the credit is refundable only for new businesses. **ADOPTED**
State Budget Review

Why It Matters To Counties

- **State funding for Community Colleges** (100% floor = to prior year) **ADOPTED** = $416.6 million
  - While the floor is helpful the proposed budget required that 20% of the state funding be withheld until plans are submitted by SUNY and approved by DOB that create a pathway for community colleges to continue operating without the funding floor in the future. **REJECTED**

- **Water Funding** Additional $500M in clean water funding, waste reduction and recycling to encourage producers to reduce the volume of paper packaging **ADOPTED**

- **County Clerk DMV Fee Retention** change that is expected to increase revenues for most counties ($13 million) **ADOPTED**
Why It Matters To Counties

• **Civil Service Reform** - Continuous recruitment for a variety of civil service titles, add to the pool of qualified candidates at more regular intervals, and create a more efficient and modernized exam process. **Budget adds a waiver of civil service exam fees at local option, state will waive fees.**

• **Continues sharing of COVID eFMAP** until the federal savings sunset December 31, 2023 – Counties are owed about 3 more full quarters and potential reconciled funds. **Maintained – no clarity on reconciliation.**

• **Emergency Medical Services (EMS) improvements:**
  • Increases Medicaid reimbursements for more complex patients,
  • Establish a working group to recommend ways to expand access to non-emergency medical transportation
  • Allow EMS providers to perform expanded clinical care in the community
  • Permit ambulances to treat patients in place or take patients to urgent care clinics w/out sacrificing payment for the trip
State Budget Review

Why It Matters To Counties

• **Public Health** - includes $230 million in Article Six funding for local health departments to provide core public health services, compared to $189 million in SFY 2023. This reflects the fully annualized increase to base grants and the allowance of fringe benefits as an eligible expense (up to 50% of eligible personnel costs).

• **Opioid Settlement Fund** - The Enacted Budget includes $212 million for payments of monies from the Opioid Settlement Fund. At least $48.4 million of this appropriation must be held in reserve to be paid to local governments pursuant to a plan by OASAS.

• **Code Blue homeless shelter funding increase** ($7 million for a total of $20 million)
Why It Matters To Counties

- Funding for Discovery Reform – Funding to bring to scale the staffing, services, and technologies to ensure criminal cases are processed effectively & efficiently.
  - $40 million in new funding to support discovery reform for county district attorneys
  - $40 million in new funding to support discovery reform for public defense services
  - $40 million in new funding to support discovery reform for New York City
- Public Defender Services - $40 million in new funding for defense services and expenses for government entities and not-for-profits
- Probation and Alternatives to Incarceration
  - $31.4 million ($18 million increase) community supervision, offender employment, monitoring, etc.
- Pretrial Services - The Enacted Budget includes $20 million ($10 million increase) in support for pretrial services. This funding supports probation and community-based providers that divert unnecessary detention while simultaneously keeping communities safe.
- Extreme Risk Protection Orders - $10 million in new funding for state and local police for enforce and to investigate extreme risk protection orders
- Prosecution Services for New York City - $40 million in new funding
- Prosecution Services for Counties - $47 million in new funding
  - Of this amount $7 million is dedicated to specialized units to shutdown fentanyl supply chains and increase prosecutions in overdose deaths
Why It Matters To Counties

**Boards of Elections - Operating & Capital Aid**
- The Enacted Budget includes $15 million for local boards of elections for new voting equipment and software and technology upgrades.
- The Enacted Budget also includes $4 million for reimbursement of costs related to providing pre-paid return postage on absentee ballots.

**Community Resiliency, Economic Sustainability, and Technology Program**
- The budget includes another round of $385 million for a wide variety of projects. This program replaces the former State and Municipal Facilities Program, counties can apply for this funding which is controlled by the Legislature and Governor.
Why It Matters To Counties

Bail Reform
The Enacted Budget restores judicial discretion in securing order determinations by removing the least restrictive means standard.

The budget amends relevant provisions of the Criminal Procedure Law to remove the requirement that the court, when making a securing order determination for a bail-qualifying offense, impose the least restrictive means necessary to ensure the principal’s return to court.

This provides judges with greater flexibility in making a determination about whether an individual must remain in pre-trial confinement.

For clarification, this legislation does not change the standard for a judge’s ability to determine the dangerousness of a defendant. The judge must still use a risk-of-flight standard.
Cannabis - Unlicensed Sales
The Enacted Budget substantially increases civil penalties for selling cannabis products without a license to try and reduce these types of pop-up stores. As well as imposing restrictions on building owners that knowingly allow these unlicensed sales on their premises.

The budget amends the tax law, cannabis law, real property actions and proceedings law, and criminal procedure law to support the Office of Cannabis Management (OCM) in cracking down on unlicensed and untaxed cannabis sales. The legislation authorizes OCM to conduct regulatory inspections of both licensed and unlicensed cannabis businesses and establishes new civil penalties. It also establishes grounds and procedures for removing commercial tenants for unlicensed cannabis retail sales.
State Budget Review

Why It Matters To Counties

Un-Helpful

Intercepting federal ACA eFMAP savings that have been provided to counties, $625M cost increase for counties ($280M) and NYC ($345M). This will be an administrative action ADOPTED – w/phase out

Budget proposed increase for 18-b indigent defense attorney rates to $158 per hour downstate and $119 per hour north of Dutchess, Orange and Rockland).

ADOPTED - Increase rate to $158 statewide (criminal and family). We estimate this will increase total costs for 18-b to $350M in SFY 2024.

State will provide $92M in general fund support at a 50% match rate for criminal cases. Claims will need to be submitted within 12 months of service delivery to be eligible for reimbursement.

Provides $10M in general fund support for family court 18-b costs.

The adopted budget proposes to phase-out the ACA eFMAP benefit currently passed through to counties as follows:

- 64% passed through in year SFY 2024,
- 40% in year SFY 2025
- 0% in year SFY 2026

On a full annual basis, the costs to the 57 counties from Medicaid and Indigent Defense 18-b attorney fees approaches $400 million.

Equivalent to 7.6% of the total county tax levy in 2023. Depending on the county this ranges from 1.5% to 16% of the levy.
State Budget Review

How will the phaseout of federal ACA eFMAP savings to counties, PLUS the scheduled sunset of COVID eFMAP savings, impact county budgets in 2024 and beyond? *Still trying to confirm details.*

- If counties are held harmless in CY 2023, then the state will need to achieve all of their SFY 2024 ACA intercept savings in Q4 (Jan 1, 2024-March 31, 2024), they will also need to achieve three quarters of their savings for SFY 2025 in calendar year 2024 (April 1, 2024, thru Dec 31, 2024). **Counties will lose about 90% of their federal savings from the ACA eFMAP in calendar year 2024.**

- COVID eFMAP savings end Dec. 31, 2023, and will mostly be paid out in 2023.

- Any federal savings that may trickle to counties in 2024 will be so small that counties should assume the loss of 90% of their ACA eFMAP and 100% of their COVID eFMAP.

- NYSAC estimates that on a full annual basis for 2024 and beyond counties will need to increase local spending for Medicaid by 18% from weekly shares paid as of April 2023 (this is an aggregate estimate and will vary by county).
  - Current Medicaid weekly shares annualize to about $6.5 billion – these will need to rise close to $7.6 billion for 2024 and beyond in the absence of both eFMAPs in place today.
### Medicaid Cost Shift Advocacy

#### Annual Cost of Losing Federal ACA eFMAP Benefit

<table>
<thead>
<tr>
<th>County</th>
<th>Annual Cost of Losing Federal ACA eFMAP Benefit</th>
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</thead>
<tbody>
<tr>
<td>ALBANY</td>
<td>$8,115,656</td>
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<tr>
<td>ALLEGANY</td>
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<td>COLUMBIA</td>
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<td>CORTLAND</td>
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<td>DELAWARE</td>
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<td>WYOMING</td>
<td>$692,563</td>
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<td>YATES</td>
<td>$543,257</td>
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#### 57 Counties Total Costs

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<thead>
<tr>
<th>Total Costs</th>
<th>$626,000,000</th>
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</thead>
</table>

This single budget initiative is equivalent to an average property tax increase of 5% percent statewide and as high as 11% percent in some counties.

Again – this is being proposed when the State is projecting a $36 billion surplus in the SFY 2024.

This chart does not include the loss of one-time reconciliation dollars potentially owed from the 6 years where no reconciliation occurred.
Why It Matters To Counties

• **Overriding the State Administrative Procedure Act** to retroactively implement a proposed appraisal model for solar and wind energy systems. The proposed model has been stayed due to lawsuits filed by multiple local governments. **ADOPTED**

• **Overriding Local Zoning Laws** to hit increased housing production targets proposed by the Governor – If targets are not met, the state would have authority to override local zoning to enforce housing growth targets **REJECTED**
Why It Matters To Counties

Raising the Minimum Wage

- New York City, Nassau, Suffolk, Westchester
  - January 1, 2024 = $16
  - January 1, 2025 = $16.50
  - January 1, 2026 = $17

- Rest of State
  - January 1, 2024 = $15
  - January 1, 2025 = $15.50
  - January 1, 2026 = $16

- Effective January 1, 2027, and beyond the established minimum wage by region will be adjusted for inflation based on the northeast region urban wage earners and clerical workers (CPI-W) change
  - The minimum wage would not change in a year with a negative amount in the CPI-W calculation, or when employment drops
State Budget Review

Why It Matters To Counties

Un-Helpful

Changes to In Rem tax foreclosure proceedings. The Governor’s Budget proposed major changes to the state’s In Rem foreclosure laws. Effective October 1, 2023, they would

• Require any surplus funds generated from a tax foreclosure sale (after taxes, penalties and interest; mortgage and other liens are satisfied) be returned to the prior owner
• Applies to all parcels except those that are deemed abandoned
• Still requires counties to hold all taxing jurisdictions harmless
• Provides no liability protections to counties for likely litigation that will stem from the proposed process
• No clear definition of administrative costs
• NOT INCLUDED IN FINAL BUDGET

The Senate and Assembly did not include this provision in their one house budget bills, and it was also left out of the final budget.

The issue stills needs to be addressed based on the Supreme Court decision and is an immediate post budget issue for counties.
Advocating County Priorities in Albany
Advocating for Counties

State Mandates Impact County Budgets and Operations

• Listening to our members,
• Tracking the Executive and Legislature,
• Identifying opportunities and threats
• Updating our messaging

Goals:

1) Raise awareness of the burden of unfunded mandates among State Legislators.
2) Build support among State Legislators for limiting new mandates and reducing existing mandates.
3) Arm our members with knowledge and language to effectively advocate on this.
4) Hold State accountable for its role in the affordability crisis.
Educating Members and Lawmakers

- Explaining the cost of unfunded mandates on local taxpayers and services they receive in their communities is an evolving message.

- The message needs to be updated, repeated, and tailored for local impact & delivered to decision makers at the state and local level.
  - In the last 5 years nearly half of the members of the Senate and Assembly are new to the job.
  - In the last 6 years, 648 new county officials were elected to office.
  - When the Property Tax Cap was enacted in 2011
    - 24 of the 150 members of the Assembly present during the 2011 session still serve today (16%)
    - 14 of 63 Senators present during the 2011 session still serve today (22%)
A History of Advocating for Top County Priorities

• **Cap Medicaid Now (2005)** – Led to the first Medicaid Growth Cap and State Takeover of Family Health Plus

• **9 for 90 Mandate Relief (2010)** – Led to the zero percent growth cap

• **Keep the Cap (2020)** – Prevented a huge Medicaid cost shift proposed by Cuomo

• **Cost-Shift Countdown (2023)** – The Medicaid cost shift will happen on a phased basis over 3 years. It provides an opportunity to continue the fight.
Using Local Taxpayers as a State Piggy Bank

Since 2005, the first Medicaid Cap, counties have sent $132 billion to Albany to pay for Medicaid.

We have also paid (at least):

• $21.6 billion in Safety Net
• $11.8 billion in Pre-School Special Education
• $6.9 billion in Indigent Defense

More than $172 billion in local tax dollars went to Albany for four programs.

None of these funds were accounted for in the State's Financial Plan.
FACT: State mandates cost local taxpayers a lot.

FACT: We can quantify that NYS uses at least $12 billion in local funds each year to support a share of the state budget.

In SFY 2023, the county contribution to pay for state programs equaled 12% of the entire state general fund.

“So What?”

The state’s practice of burdening local governments with unfunded mandates matters—it makes our communities less affordable and reduces our ability to keep local dollars for local needs, deliver services, hire employees, grow our economy and offer a reason for people to stay in New York.
Advocating for Counties

Education Aimed At Reversing Trend

• A Reliance on Regressive Taxes Hits Some Harder
  • High local and state costs are at the core of the affordability crisis in New York.
  • Shifting from income to property and sales taxes changes the nature of taxation and impacts residents in different ways.
  • The regressive nature of sales and property taxes places the burden of unfunded state mandates place on seniors, working class, and poor New Yorkers.
  • High unfunded state costs get built into everything in our economy – not just unaffordable housing.
  • Utilities, construction, labor, healthcare, insurance, transportation, services – high costs and complex regulations increase costs across the board.
## Advocating Top County Priorities

### NYS Housing Affordability Index - Is it Home Cost or Tax Cost?

<table>
<thead>
<tr>
<th>Mortgage Rate</th>
<th>6.7%</th>
<th>4.5%</th>
<th>3.5%</th>
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<tbody>
<tr>
<td><strong>Monthly Mortgage Costs¹</strong></td>
<td></td>
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<tr>
<td><strong>Year 1 Costs (monthly average)</strong></td>
<td>$2,092</td>
<td>$1,804</td>
<td>$1,684</td>
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<tr>
<td>Interest</td>
<td>$1,156</td>
<td>$775</td>
<td>$602</td>
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<tr>
<td>Principal</td>
<td>$186</td>
<td>$279</td>
<td>$332</td>
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<tr>
<td><strong>Property Tax</strong></td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
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<tr>
<td><strong>Insurance</strong></td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
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<tr>
<td><strong>Year 5 Costs</strong></td>
<td>$2,153</td>
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<tr>
<td>Interest</td>
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<td><strong>Property Tax</strong></td>
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<tr>
<td><strong>Insurance</strong></td>
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<td><strong>Year 15 Costs</strong></td>
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<td>Interest</td>
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<tr>
<td><strong>Property Tax</strong></td>
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<tr>
<td><strong>Insurance</strong></td>
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<td>$198</td>
<td>$198</td>
</tr>
</tbody>
</table>

¹ Home Price of $260k, with 20% down payment, average full value property tax rate of $27.70 per NYS T&F 2021.

* Assumes 2% annual growth
Education Aimed At Reversing Trend

• **Harms service delivery and unmet needs in our community**
  - When we reduce services to fund state cost shifts and mandates, we must emphasize that impact to core interest groups in the state legislature.
  - By localizing the impact, counties can highlight how the state’s lack of support impacts needed services for the most vulnerable in our community.
  - There are unmet needs that are made worse by a lack of direct state support or the depletion of county resources to fund state mandates imposed on the county.

  • Meals on Wheels and other Aging Services, Veterans’ services, infrastructure investments, community colleges, public health, mental health, homelessness, child welfare, youth services, etc.
Education Aimed At Reversing Trend

- NYSAC will highlight the county fiscal contribution to support the state budget ($12 billion+ annually for just a handful of programs), examples include:

  - **Medicaid ($7.6B)** – New York counties and NYC spend more than all other counties in the nation combined on general Medicaid program costs.

  - **Safety Net ($1.5B)** – New York state is one of only a few that makes counties pay most of the costs for this program (71 percent). More than half the states have no similar program at all.

  - **Preschool Special Education ($745 million)** – The federal government has always defined these services as education programs. Nationwide most counties do not pay this expense.

  - **Indigent Defense ($485 million)** – Only 20 states require their counties to pay a share of these costs (35 states pay nearly 100%). NY counties have paid 80%, on average, of these costs since 2007.
The state justified the ACA eFMAP intercept because counties had sufficient reserves and the Medicaid caps saved counties $37 billion since 2005.

What were county costs to pay for a few state programs during that period?

<table>
<thead>
<tr>
<th>State Program</th>
<th>Since First Medicaid Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>$131,719,738,755</td>
</tr>
<tr>
<td>Safety Net</td>
<td>$21,633,319,000</td>
</tr>
<tr>
<td>Preschool Special Education</td>
<td>$11,808,112,000</td>
</tr>
<tr>
<td>Indigent Defense</td>
<td>$6,881,781,303</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$172,042,951,058</strong></td>
</tr>
</tbody>
</table>
Medicaid Cost Shift Advocacy

Medicaid

Executive Budget Proposal to Eliminate Medicaid eMAP Payments to Counties

Governor Hochul’s SFY 2024 Budget proposes to end the longstanding practice of sharing federal Medicaid savings provided by the Affordable Care Act (ACA) to counties and New York City.

The State is proposing to permanently keep all of these federal savings and use them to cover overspending in the Medicaid program because the state has failed to control costs and continues to expand the program.

NYSAC projects that the elimination of this funding will cost counties at least $280 million more in SFY 2024, and over $600 million when New York City is included.

NYSAC is using very tool at our disposal to reverse this proposal, but we need your help!

Advocacy Toolkit

- A sample resolution that your county can adopt opposing the cost shift
- A letter to the Governor asking her to reverse the cost shift,

Address letters to:
Colleen Deacon, Senior Director of Upstate Governmental Affairs,
Office of Governor Kathy Hochul
333 East Washington Street Syracuse NY 13202
Cell:315-317-4107 | Colleen.Deacon@exec.ny.gov

- Talking points to help explain the issue to your state, and federal delegation; and
- A chart detailing the projected fiscal impact for every county.
- Examples of press releases counties have issued in opposition to the proposal.

Make Your Voice Heard!

Help spread the word about what the Governor’s plan to withhold federal Medicaid funding would mean for your county taxpayers! NYSAC encourages all counties to use the resources in the advocacy toolkit below to pass local a local resolution in opposition to this proposal, send a letter to the Governor and your local State Legislators; issue press releases and letters to the editor, and post on social media.
Medicaid Cost Shift Advocacy

Reject the State Budget Proposal to Intercept Federal Medicaid Savings Currently Provided to County Taxpayers

- The Governor’s SFY 2024 Budget proposes to shift $625 million in Medicaid costs onto local taxpayers to pay for runaway state spending on the program.

- The budget does this by ending the longstanding practice of sharing federal Medicaid savings with counties and NYC that are provided by the Affordable Care Act (ACA).

- This funding, known as eFMAP, has been critical to counties’ ability to hold property taxes in check by limiting the local financial burden of Medicaid.

- The minimum four-year cost to local taxpayers of the proposal is between $2.5 billion and $2.9 billion, according to the Governor’s budget.

- This proposal will make New York Less Affordable – At a time when New Yorkers are paying more for housing, food and fuel, the Governor’s plan will make New York State even less affordable by forcing local governments to increase property taxes by an estimated 5-10%, driving up the cost of home ownership and rent for all New Yorkers.

- By SFY 2027, the state cost shift from this single initiative will be equivalent to an average property tax increase of 7 percent statewide and as high as 14 percent in some counties.

- It’s Unnecessary – The Governor’s budget proposes to fully fund state reserves two years ahead of schedule by depositing $5.4 billion into these accounts before the end of SFY 2023, while also projecting a general fund surplus of $35 billion by the end of SFY 2024.

- It Undermines Congressional Intent – New York’s Congressional Delegation, led by Senate Majority Leader Charles Schumer, fought hard to ensure that local taxpayers wouldn’t bear the burden of expanding Medicaid by specifically designating this funding for counties. By pocketing these funds, the Governor’s plan undermines the intent of Congress.

- While the state has simultaneously raised concerns about unsustainable growth and potential program abuses in the Medicaid program, the proposed budget includes no substantial program integrity reforms.

- To make matters worse, the State is also proposing to permanently keep six years of eFMAP funds, exceeding $1 billion worth of federal assistance owed to counties from unreconciled reimbursements.

- Governor Hochul must remove this disastrous proposal from her budget and work with counties to reach a compromise that does no harm to counties and maintains the cap on local contributions to Medicaid.
Post Budget Advocacy
Post Budget Priorities for This Year

- Top Bills NYSAC Is Engaging On
  - Collect sales tax from short-term rental stays: **A.4130 (Fahy) / S.885 (Hinchey).**
  - Grant counties the ability to establish joint taxing districts with their municipal partners and authorize EMS providers to join the state retirement system and NYSHIP: **A.3392 (Otis) / S.4020 (Mayer).**
  - Real property tax credit extension to volunteer EMS/fire providing services in a neighboring municipality: **A.2121 (Stern) / S.2862 (Martinez).**
  - Special EMS / Fire taxing districts: **A.2812 (Jones) / S.3039 (Stec).**
  - Increasing 18-b attorney rates with 100% state funding: **A.240 (Magnarelli) / S.1777 (Bailey).**
  - Reforming the CPL 730 mental health competency process: **A.5063 (Gunther) / S.1874 (Brouk).**
  - Establish a revolving loan fund to finance natural hazard mitigation projects: **A.3782 (Fahy) / S.2837 (Breslin).**
  - Allow contributions made to EMS services to be exempt from the property tax cap calculation: **A.4077 (Lupardo) / S.5000 (May).**
Other Top County Priorities for This Year

- **Reform the Civil Service Process**
  - Municipal governments across the state are struggling to recruit and retain employees. Counties are requesting a series of actions to help ease the burden of filling vacancies.
  - Eliminate the competitive status for any position that requires the applicant to hold a valid professional license issued by the state.
  - Eliminate the need for applicants to cross-file in adjacent municipalities to have their test scores counted for the same title in multiple jurisdictions.
  - Grant local governments the option for continuous recruitment (included in Governor’s budget proposal).
  - Allow tests to be administered at the local level (Governor includes +300 positions to process tests faster).
  - Consider changing all exams to pass/fail.
  - Expand the rule of 3 to a rule of 5 (pending legislation forthcoming).
Other Top County Priorities for This Year

- **Early Intervention & Pre-School Special Education Reforms**
  - Provide equal access to Universal prekindergarten for preschool special education students the same as traditional education students. While the state has made substantial progress in expanding UPK, too often special education students are still being taught in segregated settings and funded under an antiquated system that requires counties and New York City to pay 40 percent of these program costs.
  - School districts and regional BOCES should be required to transport these children as they already have the infrastructure in place and are transporting their peers to local school programs.
  - Fund incentives to become special educators to encourage students who are continuing education to consider speech, occupational or physical therapy, and other special education fields.
  - Increase the administrative cost reimbursement rate for counties to equal the administrative reimbursement rate paid to school districts for their students.
Other Top County Priorities for This Year

Social Service Reforms

**COVID-19 Medicaid Recertifications**
- With the end of the federal COVID public health emergency every Medicaid recipient in NYS will need to be recertified. This includes nearly 8 million people and such recertifications have not been done for more than 3 years under the COVID emergency. County DSS officials will be required to do a large share of these recertifications beginning immediately and will require a significant effort by each county. Failure to complete recertifications in a timely and efficient manner are subject to federal penalties.

**Foster Care Rate Increase Implications**
- Last year's state budget settled longstanding litigation that will require foster care rate increase of up to 20% to 40% depending on the county. The entire increase will be paid by the county – the state is offering no fiscal support. These rates are currently being determine by the state and will likely be imposed retroactively. The estimated costs for the 57 counties and NYC approaches $200 million on an annual basis.
Advocating for Counties

Why It Matters To Counties

As mentioned, Counties Have Numerous Concerns with the In Rem Changes and is an Immediate Post-Budget Item

Timing
• The proposal carries no state budget impact and therefore should not be in the budget bill. There is time to develop a new statutory framework and it should be informed by the final Supreme Court Decision. Oral arguments tilted heavily toward the plaintiff and the decision should be out by late June. NYS session ends in early June so county recommendations must be developed and submitted to the Legislature and Executive immediately.

The State Provides No Fiscal Support
• Counties would still be responsible for holding all taxing jurisdictions fiscally harmless under this policy change.

Administratively Unworkable
• Administrative costs are largely undefined
• Various sections of the proposed amendment conflict and create multiple requirements and restrictions that are at odds, other language is vague, and
• Logistical complexities envisioned under the draft would require a huge increase in highly skilled staff at the county level.
Counties Have Numerous Concerns with the In Rem Changes

**Increased Liabilities for Counties**

- Prior property owners and lienholders will now have standing to file suit against counties that they feel have not maximized their interests,
- Any distribution of funds insufficient to pay all the liens and provide the prior owner with their full equity will likely be met with lawsuits,
- The bill envisions paying prior owners immediately upon final tax sale even though prior owners can litigate the outcome of the sale up to two years after the sale occurred, and
- Any liens deemed invalid may be met with lawsuits.

**Unnecessarily Burdens the Court System**

- Adjudicating liens will be a requirement of counties that have not ever had the right, authority, or means to do so; and
- All liens and claims will have to be submitted and reviewed by the courts

**Enriches the Private Sector**

- The proposal would mandate that the County, (who has a preferred action) pay the lender, (who has a statutorily inferior lien), to the detriment of county taxpayers.
- This contradicts decades of case law, and some say this demonstrates that the banking industry would be unjustly enriched under this proposal.
County Recommendations to Modify the Proposal

Provide Legal Protections to Counties
- The state must provide additional legal protections for counties when a county follows state guidance and regulations during this process.
- The state must provide clear procedures to counties on settling proceeds in cases of divorce, deceased owners, bad title, disagreements among multiple owners, determining the validity of liens, what to do if bankruptcy is declared after settlement, or liens are discovered after settlement, among others.

State Funding Will be Necessary to Replace the Loss of Surplus Funds
- Counties cannot be left with the responsibility to hold all taxing jurisdictions harmless under a process that requires surplus funds to be returned to the prior owner.
- Even when a county follows all of the rules, owners still have rights to litigate the outcome and/or file for bankruptcy, which can happen years later.
- Without additional state funding taxes will have to be raised on all other taxpayers in the county and expanded urban and rural blight is likely.
County Recommendations to Modify the Proposal

Limit the Scope

- Remove requirements that counties settle all outstanding liens. Private business lienholders are currently structured to protect their own lien rights, and this should not be changed.
- Mortgage/lien holders (banks, et. al.) could be unjustly rewarded by having public employees do work that is currently paid for and administered by the private sector. Under this proposal banks would now be benefited by approximately five percent earnings (today’s 2-year rate, or a 11th month CD) on the value of all tax delinquent parcels in the State of New York; plus, all legal and administrative fees related to foreclosure.
- Limit the involvement of the court system in this process
Advocating for Counties

Why It Matters To Counties

County Recommendations to Modify the Proposal

Administrative Costs Need to be More Fully Defined in Statute

• These costs should include, but not be limited to:
  • staff salaries and benefits,
  • advertising costs,
  • title searches and fees,
  • related overhead and interest expenses,
  • related accounting costs,
  • contracted and direct services to secure and sell the property,
  • software licensing fees and maintenance costs for tax tracking and enforcement, and
  • litigations and attorney fees.
County Recommendations to Modify the Proposal

NYSAC has put a small working group together of County Treasurers and County Attorneys to draft statutory changes to satisfy the U.S. Supreme Court Decision in *Hennepin* which we believe will side with the plaintiff in the tax foreclosure surplus issue. WE NEED TO HEAR FROM YOU TODAY.

- Your ideas here.
Advocating for Counties

Why It Matters To Counties

WE NEED TO HEAR FROM YOU TODAY.

• Your ideas here.
YOUR VOICE MATTERS!
The Governor, state legislators and the public need to hear from you!