



TAX IMPACT ON LONG ISLAND

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Introduction

Both Nassau and Suffolk Counties have severe structural budget deficits. In their 2017 budgets, both Counties are borrowing in the range of \$60 million for operating expenses. Budgets for both Counties in recent years have been able to comply with the property tax cap only by imposing new or additional fees on everything from tax map verifications, red light cameras, parking and traffic violations, business licenses and new mortgages. In the meantime, cuts to services have included reductions in County bus services, delayed borrowing for capital projects, suspension of aid to local governments, delayed hiring of police and other personnel, and cuts in social services and health services.

While there are many reasons for these structural deficits, one extremely important factor has been New York State's system of funding Medicaid.

MEDICAID: An Unfunded State Mandate

- Medicaid, the joint federal-state program to finance medical care for low-income residents, saddles New York counties with an annual \$8.4 billion burden, an unfunded mandate from the state that counties are struggling to afford. Nassau and Suffolk Counties pay almost one half a billion dollars each year for Medicaid.
- New York State spends approximately \$60 billion on Medicaid on more than 6 million beneficiaries each year; more than any other state!¹
- Counties and large cities in New York are required to pay 25 percent of the cost of Medicaid acute care services and 9 percent of the cost of long-term care services provided in their jurisdictions. On average, New York counties pay approximately 15 percent of total Medicaid costs, the state pays 35 percent and the federal government pays 50 percent.²

New York's Local Funding Requirement Stands Alone

- New York's local Medicaid funding requirement is unique among states. Twenty-two states do not require any local funding. Of the 27 other states that stipulate a local contribution, most require localities to pay only for administrative costs, a small portion of specific services or some other minimal

¹ New York State Division of the Budget, FY 2017 Executive Budget Financial Plan Updates for Governor's Amendments and Forecast Revisions (February 2016), p. 74, www.budget.ny.gov/pubs/executive/eBudget1617/financialPlan/FinPlanUpdated.pdf; New York State Department of Labor, Employment in New York State (December 2015), p. 2, <http://labor.ny.gov/stats/PDFs/enys1215.pdf>; Diana Rodin and Jack Meyer, Health Care Costs and Spending in New York State (prepared for New York State Health Foundation, February 2014), p. 27, <http://nyshealthfoundation.org/uploads/resources/health-care-costs-inNYS-chart-book.pdf>; New York State Division of the Budget, FY 2017 Executive Budget Briefing Book (January 2016), p. 84, www.budget.ny.gov/pubs/executive/eBudget1617/fy1617littlebook/BriefingBook.pdf.

² *Medicaid in New York: The Continuing Challenge to Improve Care and Control Costs*, Office of the New York State Comptroller (March 2015).

contribution. As a recent report by the Citizen’s Budget Commission points out, in both aggregate and proportional terms, New York’s local funding requirement stands alone. California requires localities to contribute towards mental health and home care costs and has the next highest local share in aggregate; \$1 billion versus New York’s \$8.4 billion. The local share in California is just 2.5 percent of total Medicaid spending versus New York’s 15 percent.³

- Nassau and Suffolk Counties feel the Medicaid bite acutely. In Suffolk, their \$241.2 million Medicaid share is 6.7 percent of the County’s total expenditures of \$3.6 billion. In Nassau, their \$235.7 million Medicaid share is 5.9 percent of the County’s total expenditures of \$4.0 billion.⁴

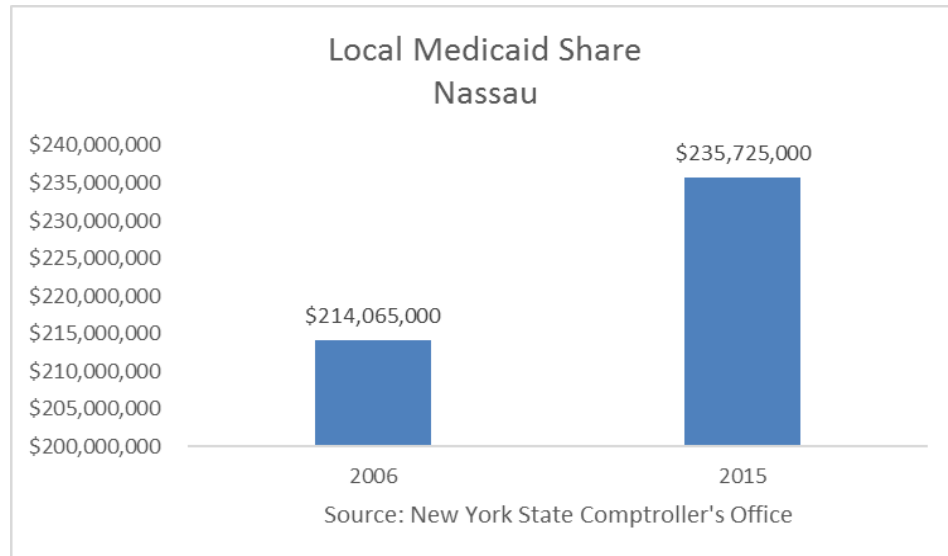
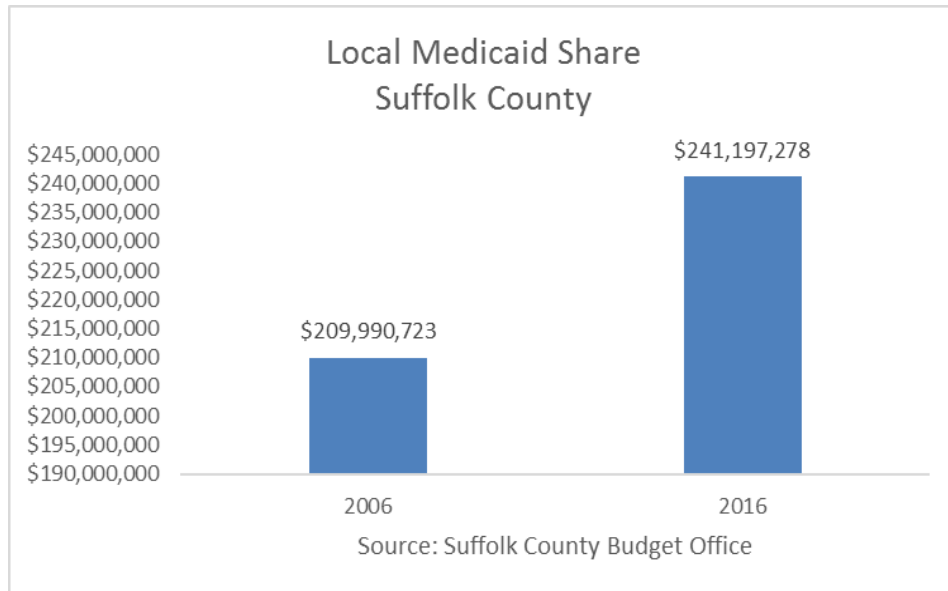
	Suffolk	Nassau
Local Medicaid Share	\$241,197,278	\$235,725,000
Total County Expenditures	\$3,579,024,634	\$3,968,220,949
Medicaid Share as % of Total County Expenditures	6.7%	5.9%
Note: Suffolk Medicaid share is for 2016. Nassau Medicaid share is for 2015. Total County expenditures are for 2015.		

Some Recent Relief

- New York State has made some recent changes to Medicaid funding in order to alleviate the burden on counties. Counties are now exempt from paying any portion of costs for some services, such as mental health care, and a statutory cap enacted in 2005 limits growth in the local share to 3 percent per year.
- Despite these efforts and some good efforts by the Governors Medicaid Re-Design Team which has led to lower costs, the county portion of Medicaid funding fluctuates erratically. Since 2006, after the cap on local share growth kicked in, Suffolk’s Medicaid share increased by 14.9 percent, growing from \$210 million to its current \$241.2 million. Nassau’s Medicaid share grew by 10.1 percent, from \$214 million to \$235.7 million (2015).
- Thus, despite the cap in growth, Medicaid costs for both counties continue to grow.

³ *A Poor Way to Pay for Medicaid: Why New York Should Eliminate Local Funding of Medicaid*. Citizen’s Budget Commission, New York (2011). Retrieved on Dec. 6, 2016 from <file:///D:/flashbackup/Medicaid/REPORT_Medicaid_12122012.pdf>

⁴ Suffolk County Budget Office; NYS Comptroller’s Office



Property and Sales Tax Impacts

- Although local officials viewed the 2005 growth cap as a significant improvement at the time it was adopted, the passage of a 2 percent property tax cap in June 2011 has complicated local Medicaid funding efforts. County governments are now responsible for 3 percent annual growth in a program that demands a significant portion of their property taxes while revenues generated by property taxes are allowed to grow only 2 percent.⁵

⁵ *A Poor Way to Pay for Medicaid: Why New York Should Eliminate Local Funding of Medicaid*. Citizen's Budget Commission, New York (2011). Retrieved on Dec. 6, 2016 from <file:///D:/flashbackup/Medicaid/REPORT_Medicaid_12122012.pdf>

- Medicaid spending is equal to 18.1% of total sales tax revenues in Suffolk and 21% in Nassau. Local Medicaid spending is more than 35% of total County property taxes in Suffolk and 25% in Nassau. In fact, Medicaid costs are almost five times the County's General Fund property tax levy of \$49 million in Suffolk and four times that of Nassau's \$57 million. If nothing further is done to reduce these costs, these numbers will grow steadily higher, squeezing out vital County functions such as police, groundwater protection and road repair and/or will lead to more County budgetary gimmicks of borrowing for operating expenses, selling long held assets, using one shot revenue sources and raising more fees.

	Suffolk	Nassau
Local Medicaid Share	\$241,197,278	\$235,725,000
Total County Property Taxes	\$748,497,183	\$986,197,998
Medicaid Share as % of Total County Property Taxes	32.2	23.9
Note: Suffolk Medicaid share is for 2016. Nassau Medicaid share is for 2015. Total expenditures are for 2015.		

Conclusion

The State and the Counties should figure a way to eliminate the local Medicaid funding mandate. The unfunded Medicaid state mandate contributes to the structural deficits in both Nassau and Suffolk Counties and constitutes an unnecessary hardship on Long Island taxpayers. Back in the 1980s, then Governor Mario Cuomo proposed having New York State take over the share paid by local governments for Medicaid and suggested the county give the state a portion of their sales tax to initially pay for it. That idea should be reconsidered.

However, as a previous Long Island Association Research Institute Study laid out in 2015, Long Island sends \$5 billion more to Albany each year than it receives back in the form of State aid and assistance. Thus, the state could start with a phased in pilot program for Nassau and Suffolk Counties by taking over their local Medicaid costs. Both Nassau and Suffolk Counties would benefit tremendously from a Medicaid takeover and such relief would benefit Long Island property taxpayers and set both counties on a path toward financial health.



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The Long Island Association watches out for the interests of Long Island business in Albany, in Washington DC, and at the local level, too. Join today and add your voice to ours.

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