



ERIE COUNTY COMPTROLLER
HON. STEFAN I. MYCHAJLIW

March 6, 2020

Honorable Legislators
Erie County Legislature
92 Franklin Street – 4th Floor
Buffalo, New York 14202

Dear Honorable Legislators;

As New York State lawmakers deliberate this fiscal year budget, I wish to express my concerns yet again regarding the Governor's various proposals, all of which put a greater burden on Erie County government to pay the increasing costs of Medicaid. We need to be prepared now for New York State to increase the burden of this crippling, unfunded mandate that negatively impacts our budget.

Each proposal is troubling; one which caps eFMAP benefit to counties, another that punishes counties that do not remain within the 2% property tax cap, and a third which requires counties to adhere to local Medicaid cost increases of no more than 3%. The measures suggest that the Medicaid cap as it currently exists may have to necessarily be lifted, and the county's share of Medicaid payments increased as a way to help close a state budget deficit estimated to be \$6 billion or more. Our office has been consistent in sounding the alarm on the danger and negative impact on Erie County finances if New York State decides to punish us to close their budget gap.

All three initiatives would have a negative impact for Erie County taxpayers and this Honorable Body. The first initiative shifts up to \$1.5 billion from counties to the state general fund by essentially intercepting Enhanced Federal Medicaid dollars, or (eFMAP), worth hundreds of millions of dollars to local governments. That eFMAP funding was included in the Affordable Care Act to assist governments in the expansion of Medicaid. According to the New York State Association of Counties, those dollars were intended for local governments to help offset Medicaid costs. In other words, the amount of federal savings for local governments from the Affordable Care Act would be taken by the state instead. It's a money grab from us to pay for Albany's irresponsible spending that has created a massive budget gap.

The second proposal punishes those counties that do not or cannot remain within the 2% property tax cap by losing the savings from the state-funded local Medicaid growth cap. In essence, Governor Cuomo is suggesting that counties that breach the state property tax cap be held accountable. The State is essentially saying to local governments; "if you cannot contain the costs..." That is to suggest that Erie and other Counties have more say than they actually do in managing Medicaid growth. In baseball terms, it's like a forced error; make it nearly impossible for local governments to stay within the tax cap because of rising Medicaid costs, therefore allowing the state to collect more money from them to pay their bills.

The third initiative, as the New York State Association of Counties points out, requires counties to adhere to a local share Medicaid cost increase of no more than 3%. If that county's local share and associated savings exceeds 3% annually, the county must refund that excess benefit over 3% back to the state.

The rising cost of Medicaid and its impact on local governments like ours was at the forefront of many discussions held at a recent New York State Association of Counties legislative conference that I attended in Albany. As you are aware, while 18 states require some county contribution, historically New York is the only state in the country that requires county taxpayers to fund the State's share of the Medicaid bill at such a high level. Because New York State leans so heavily on county taxpayers to fund the program, state leaders found it easy to expand Medicaid, taking on every option allowed. As a result, Medicaid spending has grown out of control. New York's local share for Medicaid is \$7.6 billion. That figure is higher than the STATE contribution of 43 individual states. The Medicaid bill is only slightly less than that of the state of California, which has a population nearly double in size to that of New York. The nearly \$8 billion in local governments contribution to Medicaid in New York State is more than what 3-thousand counties nationwide combined pay.

At the NYSAC conference, among the various forums held was one that focused on the impact increasing Medicaid costs will have on county governments. Representatives from communities across New York State expressed great concern about how the higher costs will impact them. In fact, if Erie County and other local governments are forced to take over additional Medicaid costs, it is likely property taxes will go up significantly, and/or significant cuts will have to be made to the programs and services taxpayers have come to expect. This Honorable Body should begin the process of examining options on how to reduce spending within Erie County government. Increasing taxes on our already overburdened taxpayers is not recommended.

New York State rightly recognized the tremendous burden Medicaid placed on local governments when it implemented the Medicaid cap in 2012. The 2% property tax cap also helped keep costs to taxpayers under control. With Governor Cuomo's proposals, Erie County legislators will be faced with some very difficult decisions going forward. NYSAC reports that the average annual cost of the 3% proposal would total \$162 million for county taxpayers statewide. As the New York State Association of Counties revealed:

WHAT \$162 MILLION GETS YOU:

- Public defender services for a full year across all counties
- 11 months of Early Intervention Services for all counties
- One-third of annual county community college costs
- 3 months of pre-school special education services for all counties

Our reliance on sales tax revenue to fund the cultural organizations, road repair, libraries, parks, and numerous services and programs in Erie County is well documented. As it currently stands, Erie County already pays more than \$200 million annually for Medicaid, money that primarily comes from property taxes. To place a higher Medicaid burden on Erie County would require dollars to be taken from that sales tax revenue source and/or raise property taxes to pay that higher Medicaid bill. Taxpayers will be feeling the pain, and so will many of those organizations, services and programs.

A recent Wall Street Journal 2.2 report also found New York to be the highest taxed state in the country. We can't continue to burden residents with these high costs. The notion that the state would pass on rising Medicaid costs to local governments instead of looking for more ways to provide relief is absurd.

As mentioned, there are numerous reasons the Medicaid bill has gotten out of control, primarily because, according to NYSAC, state lawmakers continue to offer up every, single option available with no regard as to how it impacts the average taxpayer. In addition, raising the minimum wage and federal reimbursements cuts to Medicaid are all contributing to increased Medicaid costs. Since New York State is the one that sets the eligibility standards for Medicaid and makes the determination which benefits are offered, it is disingenuous to suggest local governments like ours are somehow responsible for the increase in Medicaid spending. To be clear, this is an out of control monster created by New York State, and as such, it is a monster that our state lawmakers need to address – not hand their mess off for local governments to clean up.

I believe it's very important that we make our state representatives aware of the concerns we have as a county. Increased Medicaid costs will have a devastating impact on local governments. The impact to Erie County's finances will be long-lasting, far-reaching and potentially devastating. As Erie County's Chief Fiscal Officer, I will continue to keep you informed on these ever-changing Medicaid developments and how they will negatively impact the operations of our county government.

Sincerely,



Stefan I. Mychajliw
Erie County Comptroller