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Testimony Transcript

To: Legislative Fiscal Committees

From: Albany County Executive Daniel P. McCoy

Date: January 28, 2013

RE: Transcript of testimony being delivered

Good afternoon Chairman Farrell, Chairman DeFrancisco, members of the Senate Finance Committee, members of the Assembly Ways and Means Committee and other members of the state legislature who are joining us today. While there are a significant number of issues I could address today – Medicaid, pension costs, early intervention - I would instead like to focus on a few areas in which I believe small changes can have a big impact on Albany County.

These areas are Community College chargebacks, purchasing, upper payment limit recaptures and a few items included in Governor Cuomo's 2013-14 budget proposal. As some of you are aware, Albany County recently entered an exciting partnership with Schenectady County Community College. The county has agreed to rent to the college 10,000 square feet of classroom space at the county office building. I am pleased to say that we expect over 1,000 Albany County residents to be able to enroll in SCCC classes right here in downtown Albany, just down the hill at the County Office Building. This partnership was announced this month and classes will start this coming September.

Some of my colleagues in the County legislature are in the process of examining whether it makes sense to push these costs down to the localities where these students are based – I believe that this is the option of last resort and hope it can be avoided. Even if a cost is pushed down from one level of government to another, the taxpayers are still the ones paying the bills.

And while we are very proud of this hard fought partnership, in many ways we were forced into it due to the way in which Hudson Valley Community College is allowed to calculate their chargeback. While HVCC charges \$1,370 per semester for a 15 credit caseload, using the same formula, SCCC would only charge \$442.

Because of an adjustment from prior years, SCCC actually only charged \$150 this academic year for one full-time semester. While the high costs of HVCC's chargeback has a significant financial impact on Albany County, its troubling to me that we sent \$8.7 million to HVCC last year, while Rensselaer County only provided \$3.2 million and we have no representatives on their board of trustees. Likewise, Rensselaer's contribution has only increased by \$100,000 in the last decade where Albany County's contribution to HVCC has doubled.

At the same time, Albany County has no oversight in how HVCC operates to ensure that it serves county residents. The community college chargebacks cost Albany County \$10 million in 2012, cost Saratoga County \$6.5 million, Schenectady County \$1 million and Rensselaer County half a million. Absent these costs, all the local counties would be able to provide additional services or cut taxes. When initially established, community colleges were supposed to be funded equally by the State, the local community and the student. However, this balance has shifted with a larger portion being spent by students and local governments. I would ask that you revisit the college chargeback formula to ensure that sponsoring counties are not manipulating the formula to push their burden on neighboring counties and that the state is contributing to the extent it was originally intended in 1973.

I would now like to move on to some purchasing issues. Over the years, local government have found it to be extremely useful to be able to buy off of state contracts – it lowers our costs for the products we need and enables us to avoid the bidding process.

Previously, local governments could only piggy-back on contracts issued by OGS. This changed last year, and local governments can now buy off any state contract, as long as the state agency specifies in the contract that local governments could do so. However, we have yet to see any departments that actually include this language in their contracts. Simply by including a few sentences in the contract, local governments could achieve considerable savings.

This next issue is a little more technical. It is called the Upper Payment Limit or Intergovernmental Transfer recapture. Essentially, we are being forced to repay money to the federal government because a calculation error made by the State Department of Health in 2007. The federal government provides county-run Nursing Homes with revenue based on their Medicaid case-mix. These revenues have been extremely helpful in offsetting the crushing financial burden of operating a public nursing home – although they are currently set to expire. When the federal government announced the UPLs (or Upper Payment Limit) being provided in 2009 for the 2006-07 fiscal year, the state Department of Health provided guidance authorizing counties to accept these payments over three years or all at once. Albany County chose to spread these payments out over three years so as to smooth-out our cash-flow and avoid sudden swings in our revenues. Although I was not the County Executive at the time, I believe it was the responsible decision. Now the federal government is saying that the State should have only authorized those payments being spread over 2 years. Now Albany County is on the hook for \$4.8 million. We received these revenues in March of 2010 for services that were provided back in 2006-07 – some of which were provided by the Ann Lee home, which isn't even in operation any longer. New York State Department of Health is still negotiating with the Centers for Medicare and Medicaid Services or CMS, but \$4.8 million is more than 5 percent of our property tax levy. Our enacted budget contained a property tax levy increase of 7.6 percent – absent this expected recapture, it would have made it much easier for us to come under the property tax cap. We acted responsibly based on the State's direction and are being punished for it.

On another issue, Albany County will be liable for approximately \$3.2 million in retroactive charges related to the Black River/Hudson River regulating district and another \$1.2 million annually going forward. The ruling from the Supreme Court, Appellate Division, County of Albany et al. v. Hudson River-Black River Regulating District et al., 97 A.D.3d 61 states, and I quote, that "legislative examination of the statutes governing apportionment is long overdue." Once the federal courts ruled that the costs of this district were not to be borne by the companies being regulated, the state should, at the very

least, be responsible for the retrospective billing. I am asking you to re-visit the apportionment of the fees that support the regulating district.

I would like to highlight a few of Governor Cuomo's proposals, specifically pension contribution options and the local sales tax renewals. Both of these proposals provide something that we, as local governments, need in order to succeed – predictability. As elected officials, it is our duty to make the tough decisions. It's what we all signed up for. By making major elements of our budgets more predictable – and pension costs and sales tax revenues are major - it means we can craft long-term solutions to our long-term problems. When we specifically look at relief from pension costs for Albany County, we could save \$10.2 million under the Governor's proposal in our first year and up to \$35.6 million in five years. This could provide major mandate relief that our county needs. From 2011 to 2013 alone, we are amortizing \$21.6 million. We believe by having a set contribution rate, it would make amortization no longer necessary, saving the interest payments. We are thankful for the state takeover of increases in Medicaid growth which the Governor proposed and you included in the enacted budget last year. It will provide us much needed relief this year. We've needed additional help and anything that provides us more options to manage our pension costs is welcome.

Finally, I would be remiss if I didn't mention the Albany Convention Center. According to press reports, if the Albany Convention Center does not move forward this year, the funding will no longer be re-appropriated in the state budget. I am a strong advocate of what is best for Albany County. Some type of convention center model is what I hope the state will partner with me on... a model that will assist in capturing the potential convention business that is going elsewhere.

Thank you very much for allowing me to speak before you today. If you have any questions, either I, or my Director of Management and Budget, would be happy to address them.

