Friday faceoff: Betting against Monroe's future was wrong, costly

CARRIE ANDREWS AND TED O'BRIEN • GUEST ESSAYISTS • JULY 25, 2008

As much as we'd like to think that Monroe County's decision to drop its appeal of the ill-advised F.A.I.R. plan would render its effects null and void, that's not the case. Even though Monroe County Executive Maggie Brooks has agreed to return $29 million in sales tax dollars to the school districts, that doesn't get us out of the mess created from another piece of the F.A.I.R plan: the Medicaid intercept.

In 2007, with less than two hours' notice to Democratic legislators and members of the public, the Republican majority in the County Legislature approved the F.A.I.R. plan, which included opting into the Medicaid sales tax intercept. Ignoring requests from our Democratic side of the aisle for a reasonable two-day delay, Monroe became the only county in the state to make that irrevocable decision.

What the intercept does is change how this county pays its Medicaid bill. In 2005, after years of requests for help from its counties, New York state capped the annual increases in Medicaid costs at 3 percent of their 2005 levels. This guaranteed counties that their Medicaid costs would stop increasing at skyrocketing rates. However, instead of choosing this state cap, Monroe County opted into the risky Medicaid intercept.

The intercept lets the state take 40.25 percent of the county's sales tax revenue and use that money to pay for Medicaid. Essentially, 40.25 percent of the county's total sales tax collection becomes the county's Medicaid bill.

Presumably, the county made this decision because of its recent abysmal economic growth and the prospect of low sales tax collections. However, the decision to reject the state cap and opt into the intercept only saves the county money on Medicaid if sales tax growth remains below 3 percent. If it exceeds 3 percent, the county winds up paying more for Medicaid than it would have under the state cap. And that is where we find ourselves, one year after opting into the intercept.

With the intercept now in place and with five months of 2008 sales tax collections now known, it is clear that Monroe County is on pace to pay $7 million more in 2008 for Medicaid than it would have under the state cap without the intercept! Since we have experienced much higher growth in sales tax collections in 2008 than in previous years, the county is paying the state more for Medicaid than ever before. Instead of keeping that $7 million here to help with the county's budget gap, it's all going to the state. This is happening because of the hasty decision to opt into the intercept, instead of retaining the state cap — as every other county in New York state did!

During debate over this measure last year, we pointed out how pessimistic it was to make a financial decision based on the expectation of low economic growth that for years to come would be less than the inflation rate.

The county executive and Republican majority in the legislature were essentially betting on continued and permanent low economic growth — even in light of cautions from the state comptroller that prior low rates of growth in sales tax collections should not be projected forward.

The decision to opt into the intercept was wrong, ill-advised and, unfortunately, it's another remnant of the F.A.I.R. plan that we, as taxpayers in this county, will continue to pay far into the future.

Democrats in the County Legislature did not gamble against the future of Monroe County, and proudly voted "no" to the F.A.I.R. plan, including the intercept. We continue to maintain that better days lie ahead — and that betting against our future as a community is always the wrong decision!

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