



NEW YORK STATE SENATOR

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## O'Mara, Palmesano, and Friend urge Governor to accept federal aid and not pass Medicaid costs to counties: NYS can use \$5.2B from federal stimulus package

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**Albany, N.Y., March 31--**State Senator Tom O'Mara (R,C,I-Big Flats), Assemblyman Phil Palmesano (R,C,I-Corning), and Assemblyman Chris Friend (R,C,I) are urging Governor Andrew Cuomo and the Democrat leaders of the State Legislature to accept more than \$5 billion in badly needed federal COVID-19 response assistance and not enact a 2020-2021 state budget this week that requires county governments and local property taxpayers to pick up more of the cost of New York's Medicaid system.

The lawmakers stressed that now is not the time for the state to begin requiring counties to cover a larger share of the cost of a Medicaid system already costing taxpayers more than \$70 billion a year.

In a joint statement, O'Mara, Palmesano, and Friend said, "Governor Cuomo appears to be teeing up action this week that will remove the cap on local Medicaid costs. That misguided

move would leave our counties and local property taxpayers having to pay millions upon millions of dollars more annually for a Medicaid system that is already overburdening local budgets. That's not fair. That's not responsible. Now is not the time to add to local burdens when this coronavirus pandemic is already shutting down local economies and leaving in its wake a future of fiscal uncertainty, at best, for county governments and local property taxpayers.”

Before the coronavirus crisis, New York was already preparing to deal with a state budget deficit of more than \$6 billion, largely resulting from overspending in the Medicaid program. In response, the governor reconvened a Medicaid Redesign Team (MRT) earlier this year, which has issued recommendations for cost savings in the Medicaid program. In addition, the governor has also proposed removing the cap on the growth in local Medicaid costs first enacted by the state in 2012. The cap has produced more than \$7 billion in savings for local governments.

O'Mara, Palmesano, and Friend said the COVID-19 pandemic is already putting an enormous strain on county budgets and with the inevitable loss of sales tax and other revenue that will result from shuttered economies regionally and statewide, some local governments could find themselves on the brink of bankruptcy.

The **New York State Association of Counties (NYSAC)** updated a report yesterday estimating that the **pandemic's economic impact on local governments could be \$2 billion.**

**The recently enacted federal response package (Phase III) is set to deliver** approximately \$5.2 billion in assistance to the state and local governments. The governor, however, remains critical of the federal response, contending that accepting the federal aid prevents the state from taking any of the short- and long-term Medicaid cost-saving measures recommended by the state MRT or shifting any additional costs to localities.

According to Cuomo, it is more effective in the long run for New York to reject the one-time federal funding and begin implementing the MRT's short- and long-term savings actions, as well as possibly shifting a greater share of the cost of Medicaid back to the local level.

O'Mara, Palmesano, and Friend acknowledged there will need to be even greater federal COVID-19 assistance for New York, the hardest hit state in the nation. They also agree that the previously approved (Phase II) federal assistance package prevents the state from shifting Medicaid costs to localities, which they believe is a positive move.

Nevertheless, they argue that the governor and the Legislature can still accept the \$5.2 billion in federal assistance and start moving forward with some of the MRT's savings recommendations – with the exception of anything that shifts additional costs to localities and local property taxpayers.

NYSAC estimates that by rejecting the federal assistance, local governments statewide stand to lose nearly \$1.5 billion in federal aid, including \$400 million for counties outside of New York City.

O'Mara, Palmesano, and Friend said, "It is important for our local governments that the federal stimulus package affords that protection and prevents states from shifting costs to localities during this unprecedented crisis. That doesn't mean New York State has to walk away from this urgently needed federal support. The federal government will need to step up more for New York State in the months ahead, however we can and should put this initial federal aid to good use, begin moving forward with reasonable and necessary Medicaid cost savings for the long term, which we believe the state can absolutely do, and not pass more of the Medicaid buck back to counties. We need to enact a fair and responsible bare bones budget that addresses the coronavirus response, meets existing obligations, and doesn't contain any pet projects or politically motivated policy moves unrelated to the deficit or the

crisis. Once we have weathered this storm, we can get to work assessing the damage, determining who and what needs repair, and have an open and full discussion on the best way to move forward for the entire state, upstate and downstate.”

The lawmakers pointed to 2009 and the federal response to the Great Recession, when then-Governor David Paterson accepted federal stimulus aid that contained similar restrictions and still moved forward with numerous state-level deficit reduction actions and cost savings.