

# Sales-tax deal is bad for everyone

The so-called “sales tax intercept” proposed by Monroe County Republicans to reduce the county’s Medicaid expenses could mean that sales tax revenues to the city, towns, villages and suburban school districts would be dramatically reduced.

The county has commenced litigation seeking a determination from the court that it can, in fact, take sales tax money to fund the Medicaid burden – even if it means that the budgets of those “sharing partners” are devastated.

The courts will determine what the county can do. What seems to be missing from all the controversy, however, is a real reminder of what the intercept option is an alternative to. Recent interviews by Messenger Post reporters Colleen M. Farrell and Mike Costanza (“Lawsuit puts towns in a tough spot”) reveal a sentiment presumably held by many: that the Medicaid burden on the county is the real cause of our budget concerns. But that belief ignores the fact that the county’s Medicaid burden has already been capped by New York state. The intercept option is not an alternative to our Medicaid burden; it is an alternative to the already enacted cap on the county’s Medicaid responsibility.

Members of the Democratic caucus of the Monroe County Legislature have carefully analyzed the impact of the existing cap on Medicaid cost versus the impact of exercising the sales tax intercept option.



By Ted O'Brien

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Presumably, the Legislature would want to choose the alternative that leaves our community with the most revenue after payment of our Medicaid cost. The already enacted cap on the county’s Medicaid obligation seems to be that choice. The intercept option will, ultimately, cost taxpayers more money.

Here’s why: the existing cap does not provide for an increase in cost that “compounds,” or grows, but rather provides for a finite increase each year. The intercept option, however, takes the county’s sales tax growth each year, which does compound, and uses it as its Medicaid share. That growth may be 2 percent or 5 percent, but whatever it is, that growth goes to pay for Medicaid.

That means that at some point we lose money by opting for the intercept – it’s only a question of how many years go by until we lose. And if the county opts for the sales tax intercept, that decision is irrevocable.

For example, if we assume a 2.7

percent sales tax growth for our county, the intercept option will already cost us more in Medicaid cost after only four years! And it will cost us more and more every year thereafter. Again, once we are in, we’re in – we can’t change our mind later!

Looking at historical data, the increased cost of goods, including gas, resulting in increased sales tax revenue, and the increased focus on making our economy hum, all would indicate that 2.7 percent sales tax growth, which is less than the annual increase in the consumer price index, is readily attainable. We could do a little worse, or we might do better, but in any event, we will eventually lose if we opt for the intercept.

All of this ignores what may be the most important difference between sticking with the existing cap and opting for the sales tax intercept: the existing cap doesn’t put our sharing partners – every town, every village, the city, and every suburban school district in Monroe County – at risk of losing huge amounts of sales tax revenue.

So, both in terms of getting the best financial deal available to us, and in terms of preserving this county’s long standing tradition of protecting all of our sales tax sharing partners, the intercept option is not an option that is good for this community. And that remains true no matter what happens in court.