

State Budget Review

The State Fiscal Situation & the Impact on Counties



NYSAC
— NEW YORK STATE —
ASSOCIATION OF COUNTIES

A professional portrait of Stephen J. Acquario, a middle-aged man with a balding head, smiling warmly. He is wearing a dark blue suit jacket, a white dress shirt, and a red tie with a small white polka-dot pattern. He is standing outdoors, leaning against a light-colored stone pillar on the right side of the frame. The background is a soft-focus green landscape.

Stephen J. Acquario
Executive Director
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State Budget Review

Agenda

- Economic Backdrop
 - National & State
 - Recent History & Projections
- The 2021-22 Budget – The Big Picture
 - Closing the Gap for SFY 2021
 - Closing the Gap for SFY 2022
- Why It Matters to Counties – Impact to Counties



State Budget Review

U.S. Economic Outlook - What a Difference a Year Makes

Pandemic Ends Longest Growth Cycle in U.S. History

The longest economic expansions in the United States since World War II (in months)*



* The NBER broadly defines an expansion as a period, usually lasting several years, during which economic activity rises substantially, spreading across the entire economy.

Sources: National Bureau of Economic Research, BEA

Last Year's State Budget Presentation Started with This Fact -

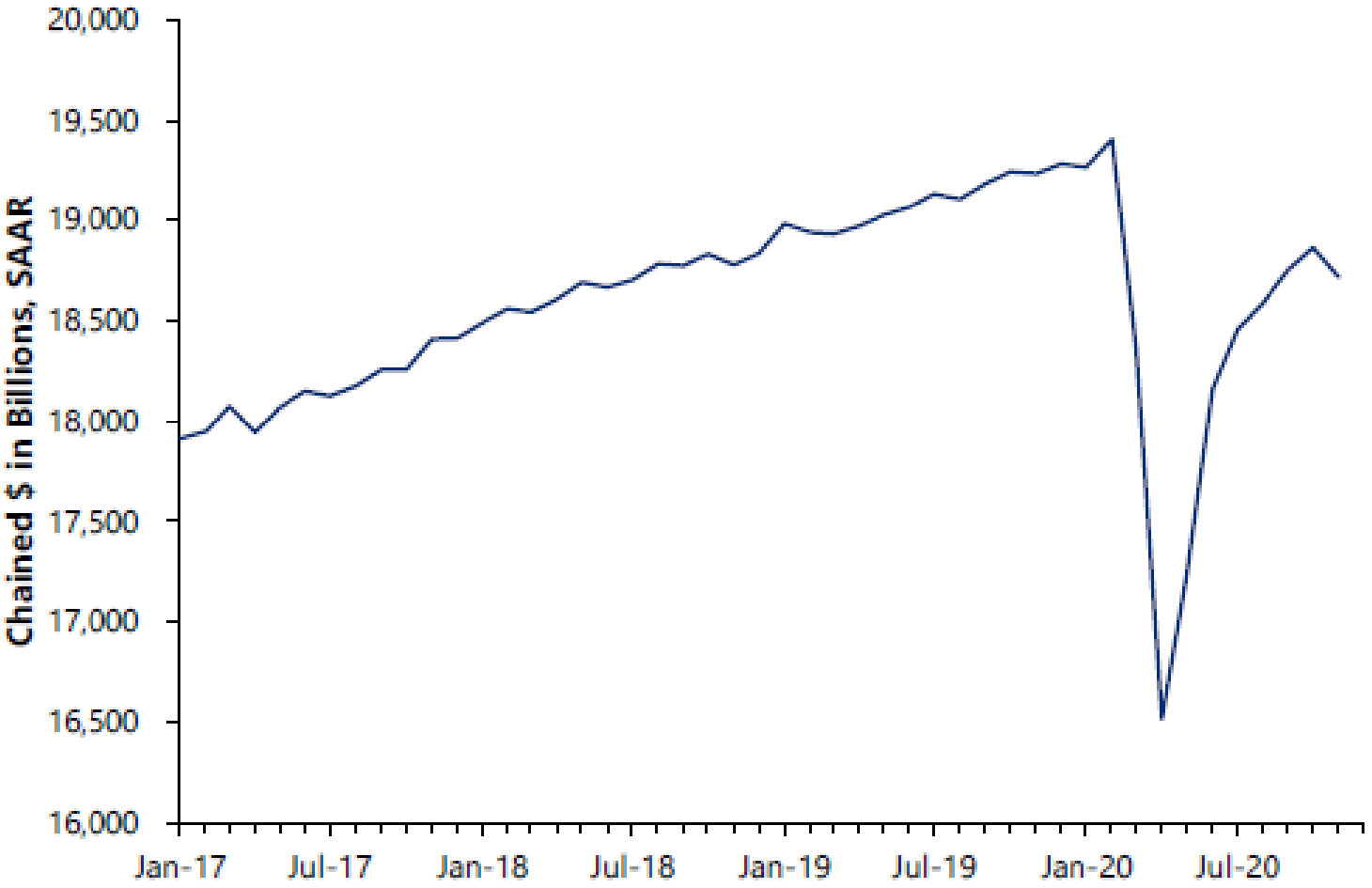
“December 2019 marked the 126th month of the current U.S. economic expansion, officially the longest U.S. expansion on record.”



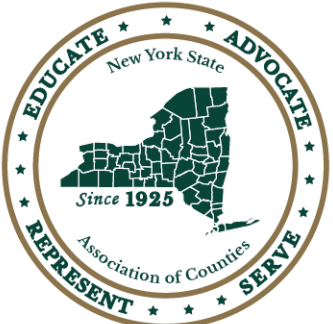
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U.S. Economic Outlook

IHS Markit's Monthly GDP



**The Longest
Expansion in
U.S. & NYS
History Ended
March 2020
@ 128 months**



Source: Haver Analytics/IHS Markit.

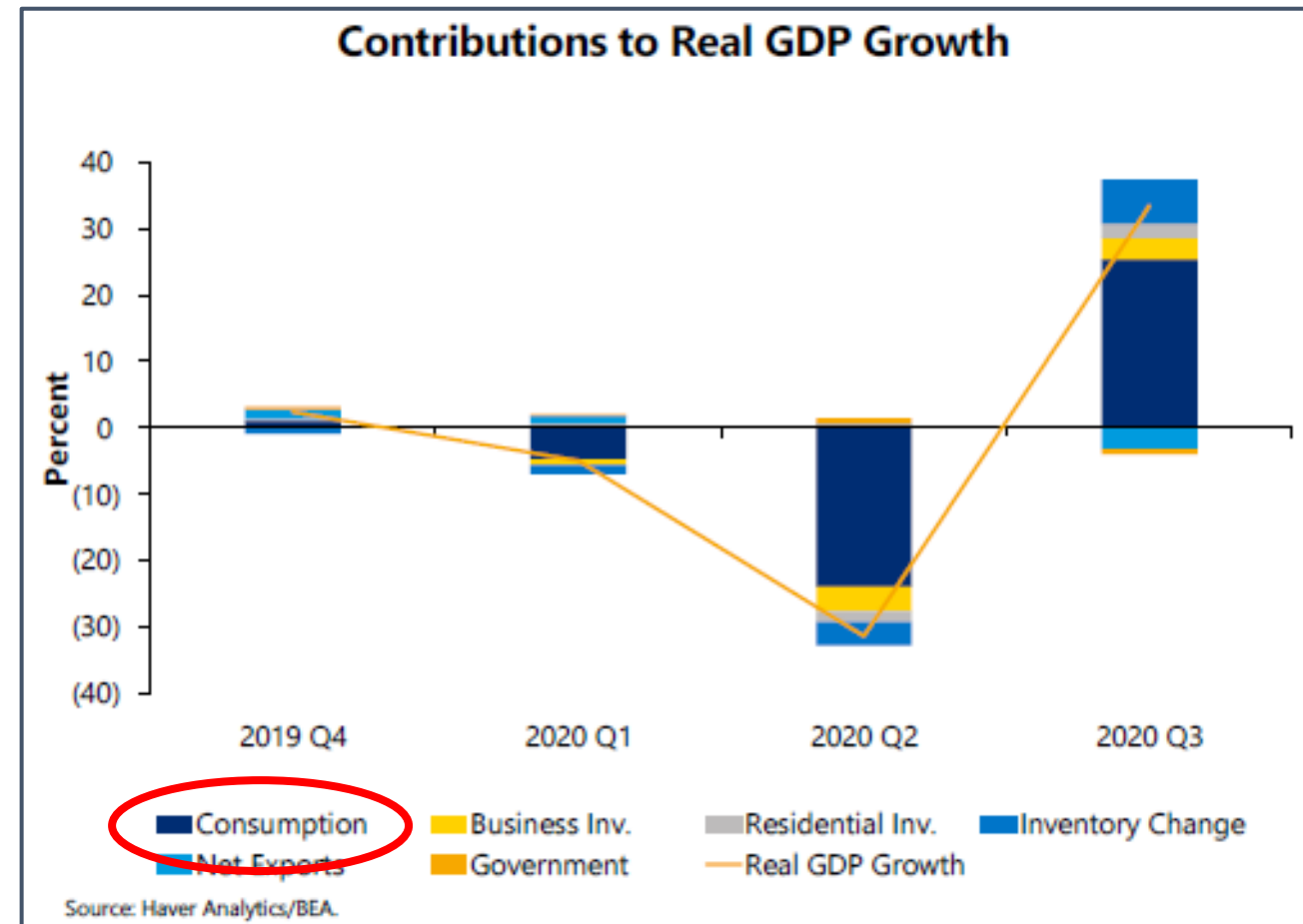
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U.S. Economic Outlook

Pandemic Causes Historic Economic Whiplash

U.S. Real GDP begins to drop in March 2020

- **2nd Quarter Real GDP falls by a record 31.4%**
- **3rd Quarter Real GDP risers by a record 33.4%**



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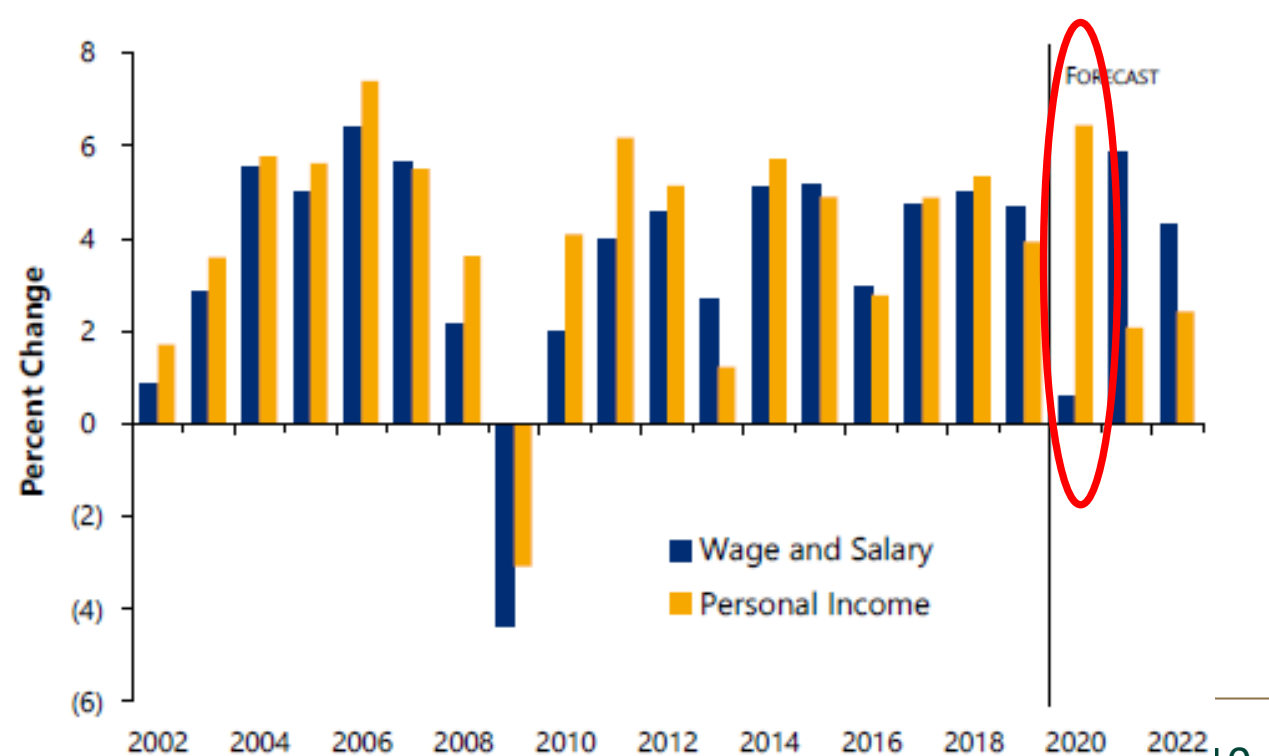
U.S. Economic Outlook - Personal Income Supported Consumption

The Importance of Federal Stimulus to Consumption

- Consumer spending pulled back tremendously in the earliest months of the pandemic and economic shutdowns. Federal stimulus payments were prominent in the April to September period.
- Federal stimulus to individuals did not occur on this scale during the Great Recession.



U.S. Wage and Personal Income Growth



Source: Haver Analytics/BEA; DOB staff estimates.

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U.S. Economic Outlook

Last Year

- NYS DOB U.S. Real GDP Growth Estimates
 - 2019 +2.3
 - 2020 +2.0
 - 2021 +2.0
 - 2022 +1.8

This Year

- NYS DOB U.S. Real GDP Growth Estimates
 - 2019 +2.3
 - 2020 **-3.4**
 - 2021 +4.4
 - 2022 +3.0



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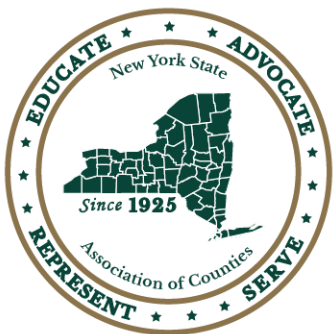
U.S. Labor Markets are Badly Damaged

Last Year

- National employment trends are expected to remain strong and unemployment rates are expected to rise slightly, but stay near 50-year lows according to Budget estimates

This Year

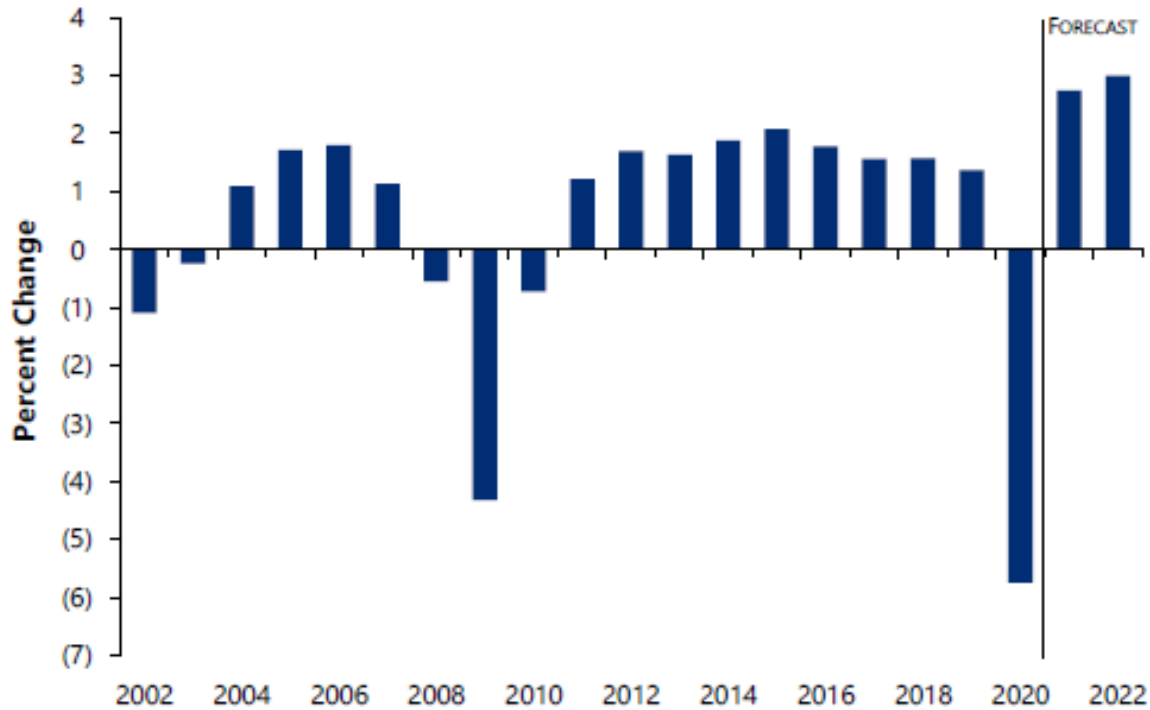
- The pandemic has caused long term damage to labor markets and “...will be a major obstacle to a balanced economic recovery.” The budget assumes U.S. GDP will recover to its prior peak by the second half of 2021, but U.S. employment is not expected to reach full recovery until 2023.



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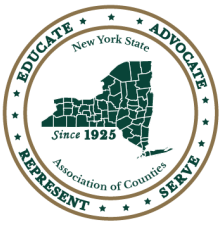
U.S. Labor Markets are Badly Damaged

U.S. Employment Annual Growth



Source: Haver Analytics/BLS; DOB staff estimates.

- For the week ending January 16, 2021, initial claims for unemployment were 900,000.
- In the same week last year, initial claims were 211,000.



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U.S. Labor Markets are Badly Damaged

CONTINUED WEEKS CLAIMED FILED FOR UI BENEFITS IN ALL PROGRAMS (UNADJUSTED)

WEEK ENDING	January 2	December 26	Change	Prior Year ¹
Regular State	5,733,436	5,347,440	+385,996	2,245,719
Federal Employees	18,620	16,873	+1,747	11,713
Newly Discharged Veterans	9,702	9,500	+202	5,662
Pandemic Unemployment Assistance ³	5,707,397	7,442,888	-1,735,491	NA
Pandemic Emergency UC ⁴	3,026,952	4,166,261	-1,139,309	NA
Extended Benefits ⁵	1,409,375	1,326,792	+82,583	0
State Additional Benefits ⁶	2,539	2,560	-21	5,043
STC / Workshare ⁷	86,498	94,713	-8,215	10,102
TOTAL⁸	15,994,519	18,407,027	-2,412,508	2,278,239

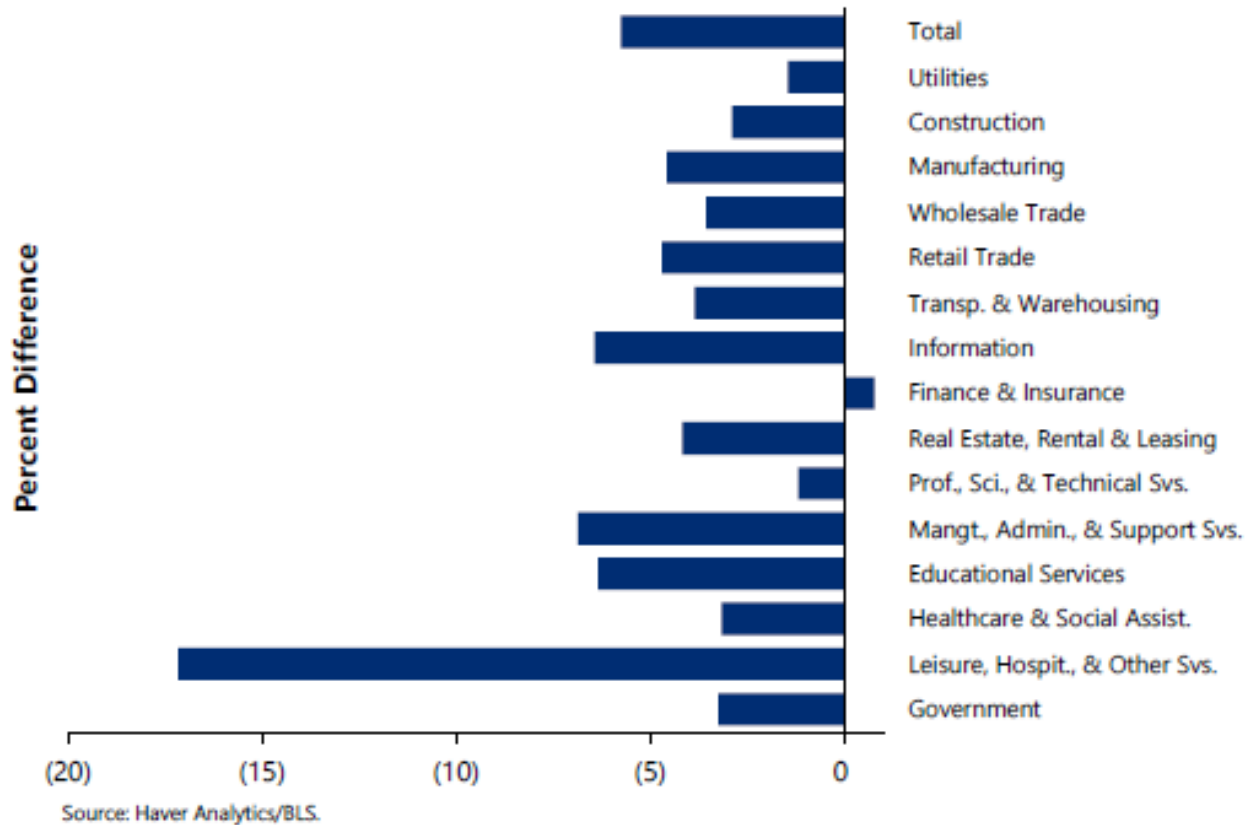
January 21, 2021 --- Weekly Claims Report --- 16 million people unemployed as of last week. The number of Americans unemployed by the pandemic peaked at around 31 million in early May (20% of labor force).



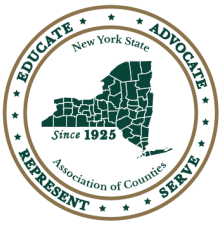
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U.S. Labor Markets are Badly Damaged

U.S. Employment: 2020 Relative to 2019

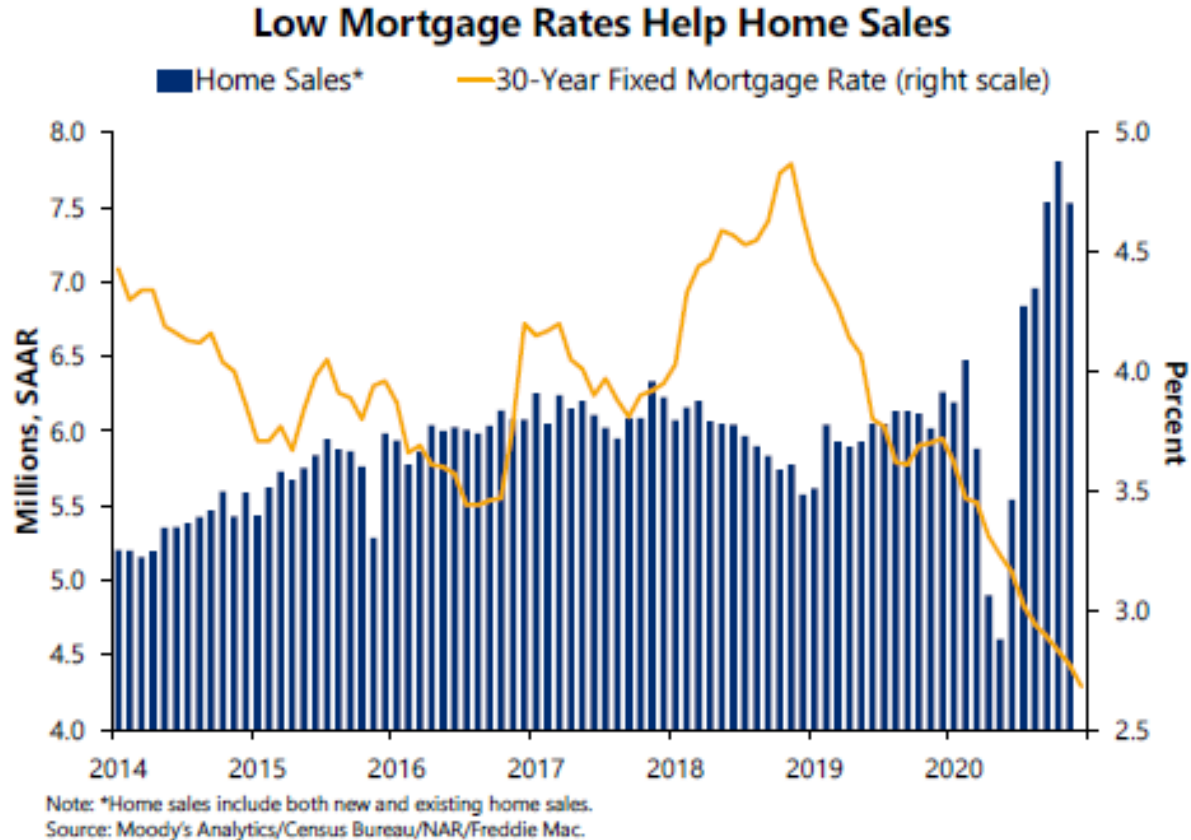


Services sectors are experiencing the worst declines in employment.



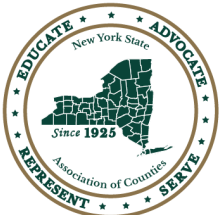
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U.S. Housing Market Has Been a Bright Spot



Housing was strong in the second half of the 2020 and looks solid for 2021:

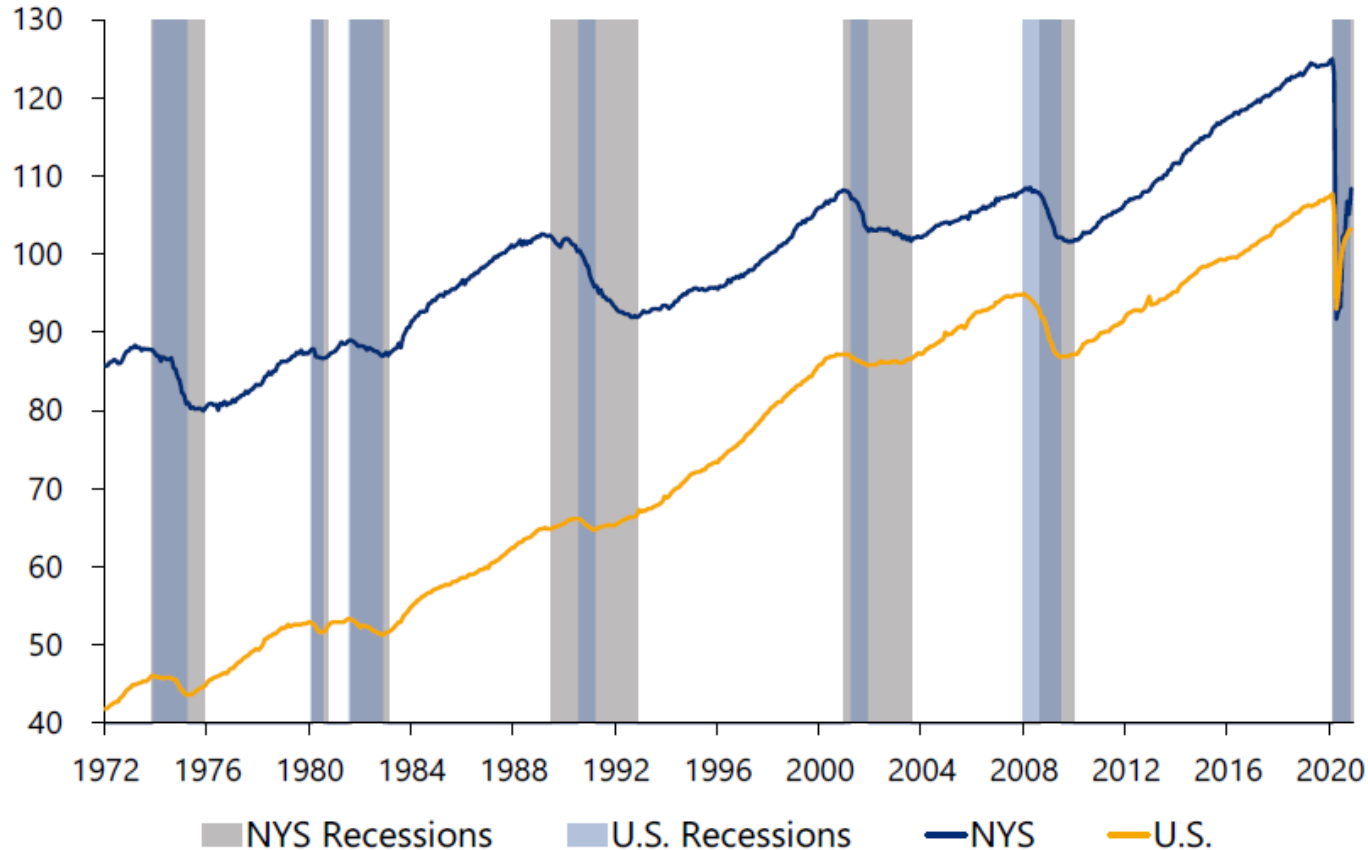
- Low interest rates,
- Supply shortages, monthly inventory very low
- Rising home values
- Single family home starts are the highest since 2007



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NYS Economic Outlook

Coincident Economic Indexes



**The Longest
Expansion in
NYS History
Ended March
2020
@ 128 months**

Note: NYS recession dates are DOB staff estimates.

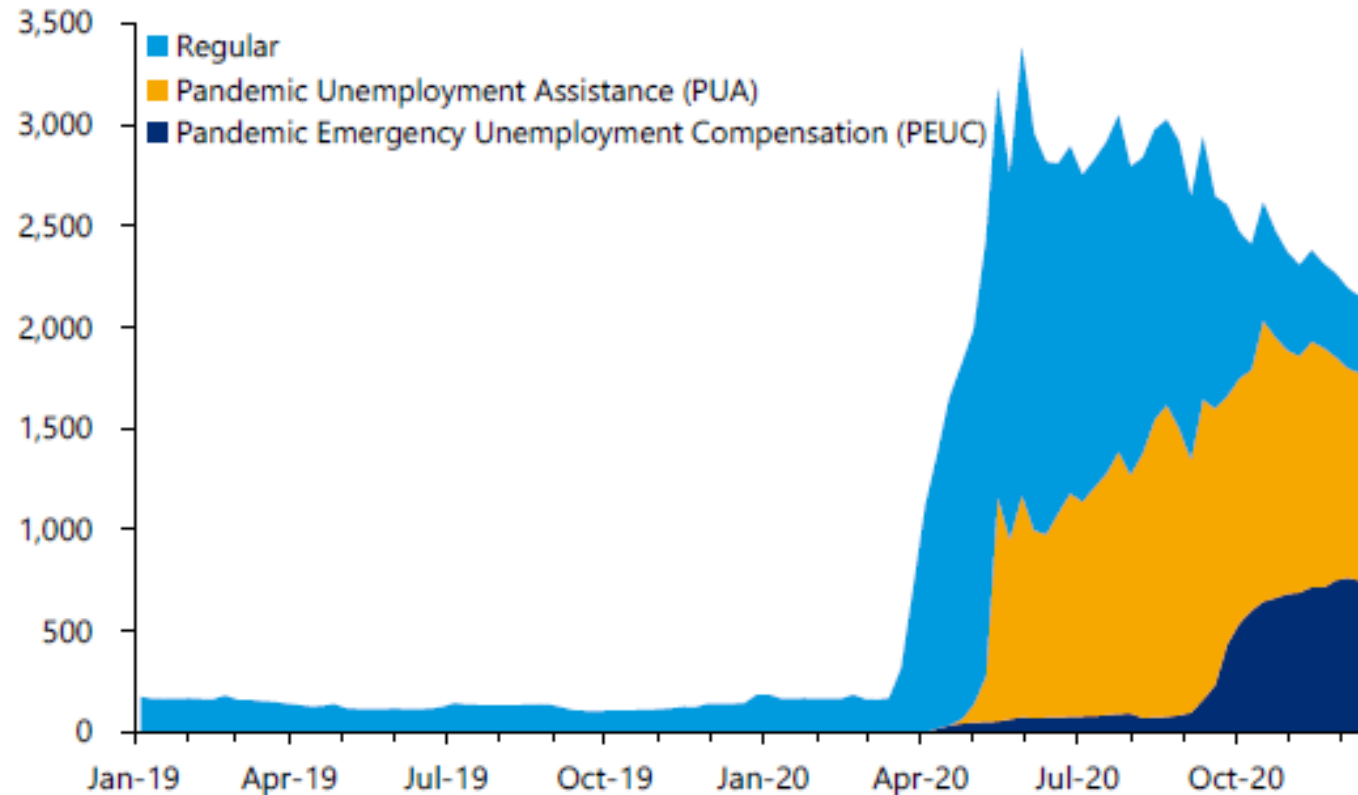
Source: Moody's Analytics/Conference Board; National Bureau of Economic Research (NBER); DOB staff estimates.



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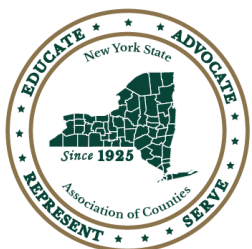
NYS Economic Outlook – Employment

Weekly Continuing Claims in New York State
(thousands)



Source: Moody's Analytics/U.S. Employment & Training Administration (ETA).

- The NYS employment picture has been worse than the federal one, plunging much quicker than the nation as NYS was the early epicenter of the virus. Employment recovery is also projected to take longer in NYS compared to the rest of the nation.

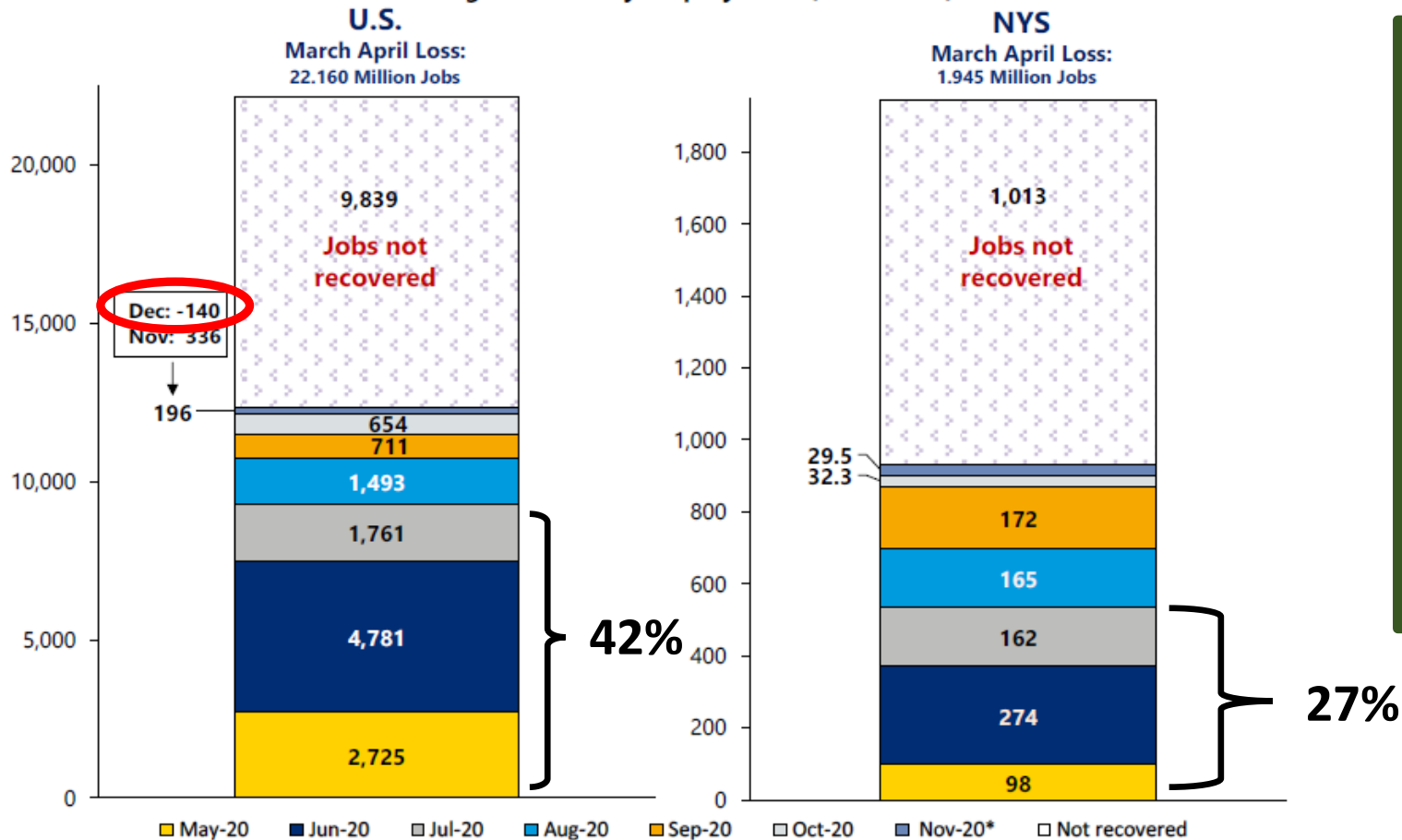


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NYS Economic Outlook - Employment

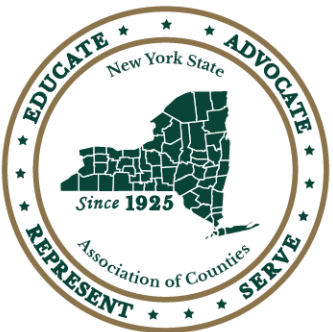
Tracking Employment Recovery

Change in Monthly Employment (thousands)



The decline in employment was deeper in NYS than nationwide and has been slower to recover, especially in early months. Both U.S and NYS have seen much slow job growth after September.

*Value shown for U.S. includes net gains for November and December.
Source: Moody's Analytics/BLS.



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NYS Economic Outlook – Employment

U.S.

- **U.S. employment is expected to fully recover by 2023.**

NYS

- **NYS employment is expected to fully recover by 2025.**

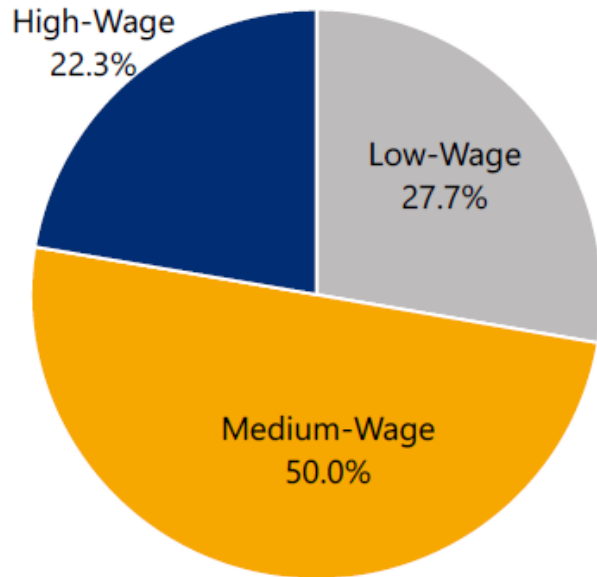


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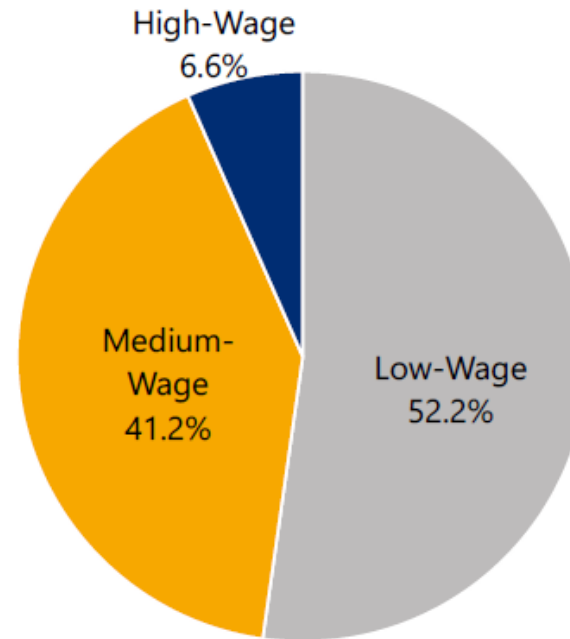
NYS Economic Outlook – Employment Growth

Low-Wage Earners Bear the Brunt of Private Sector Job Losses

February Employment



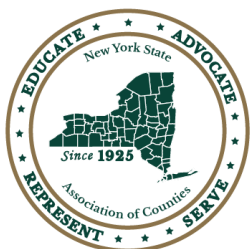
March-April Losses



Note: A low-wage classification is defined as having a 2019 average wage below \$40,000; high-wage above \$80,000. Low-wage industries include retail trade, leisure and hospitality, and other services; high-wage industries include wholesale trade, information, financial services, and professional and technical services; middle-wage industries include the remainder.

Source: NYS Department of Labor; Moody's Analytics.

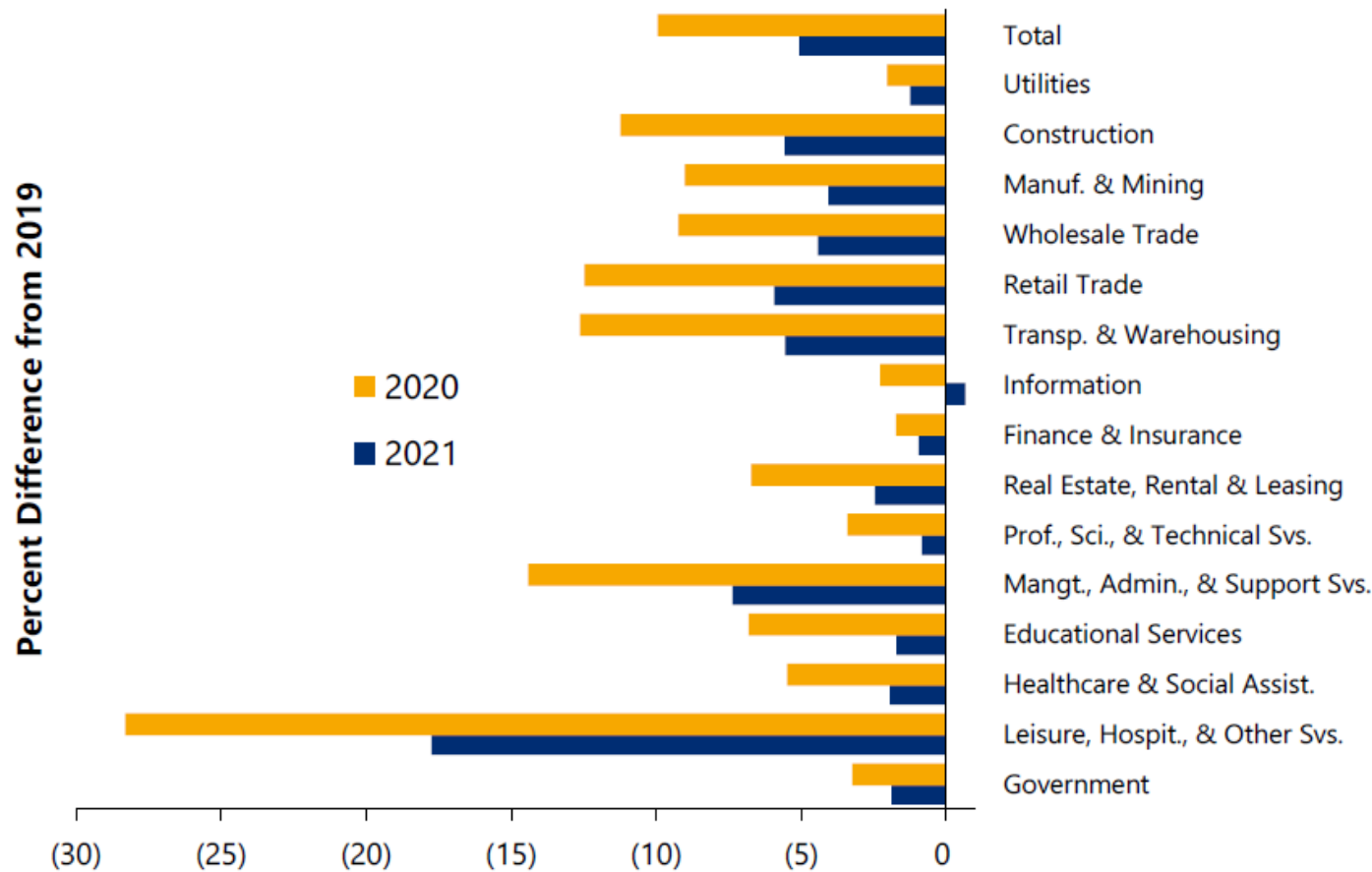
- Lower wage jobs including, leisure & hospitality, retail trade and services comprised only 28% of the private sector job market before the pandemic but were 52% of the 1.9M job losses in March & April. These occupations still represent 49% of job losses today.



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NYS Economic Outlook – Employment

New York State Employment Relative to 2019



Source: NYS DOL; DOB staff estimates.

- Job recovery will slowly improve, but only information services is projected to exceed pre pandemic levels by the end of 2021.
- Job losses are unevenly spread, with NYC experiencing the greatest number in 2020.



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NYS Economic Outlook – Employment

Unemployment Rates (%)*

*Data are preliminary and subject to change.

**Revised data.

	December 2020*	November 2020	December 2019
United States	6.7	6.7	3.6
New York State	8.2	8.4	3.9
New York City	11.4	12.1	3.6
NYS, outside NYC	5.9	5.7	4.1

- **Since 2011, NYC led statewide job growth, but led in job losses during the pandemic.**



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NYS Economic Outlook – Employment & Wage Growth

Employment, Wage Growth & Personal Income

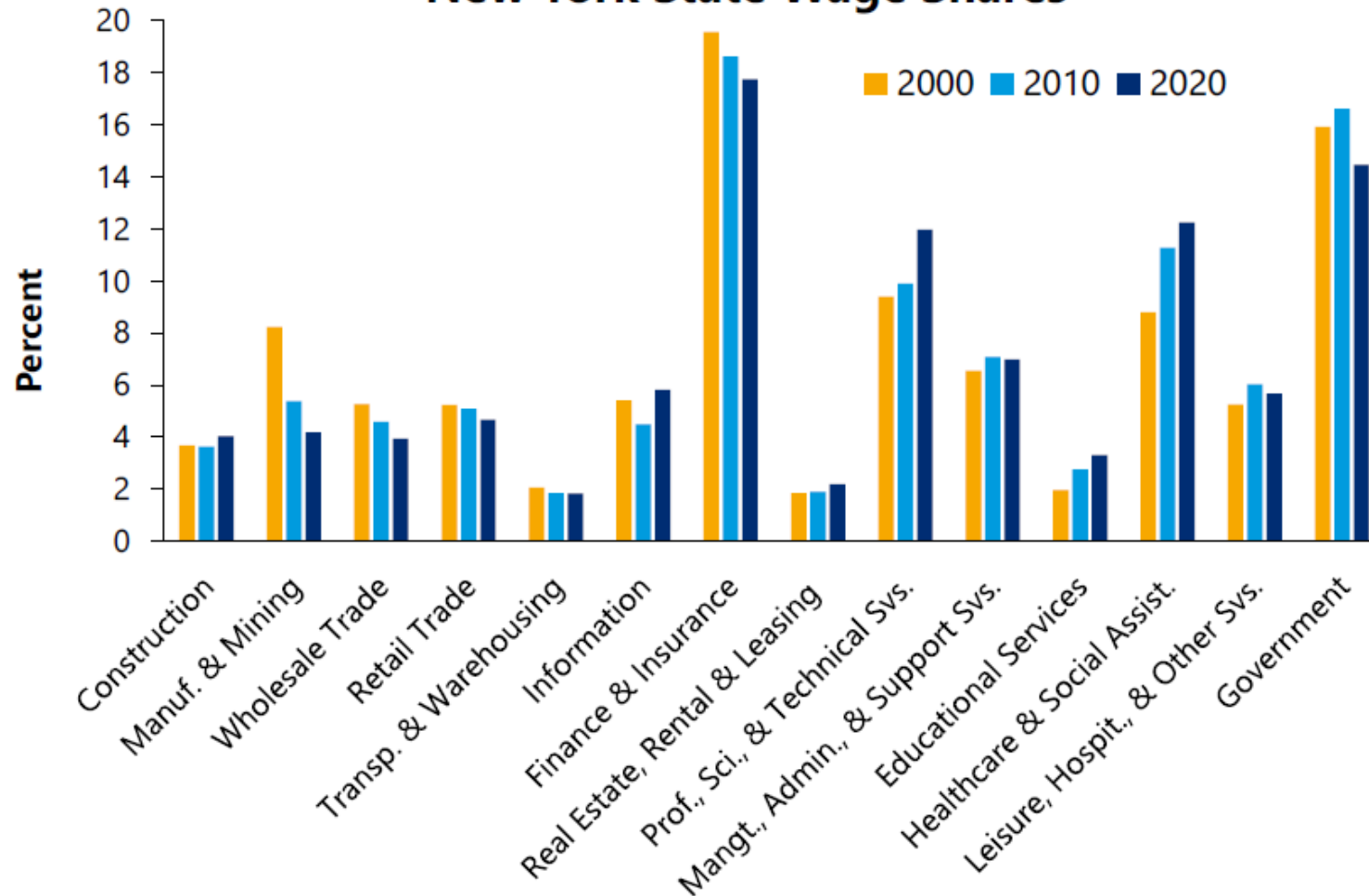
- Recovering lost jobs will aid the economy in coming years.
 - Wage growth also bolsters the economy.
 - Total personal income supports consumption
- The financial services sector remains a leader in total wages statewide, followed by government, professional and scientific services, and health & social assistance.
- Unique to 2020 was the impact of personal income outside of wages that helped bolster consumption.
 - Federal payments to individuals provided a foundation to maintain consumption through much of the year and carried savings rates to record highs.



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NYS Economic Outlook – Employment & Wage Growth

New York State Wage Shares



Note: Shares for 2020 are DOB forecast; share of utilities sector is less than one percent, therefore excluded.
 Source: NYS DOL; DOB staff estimates.



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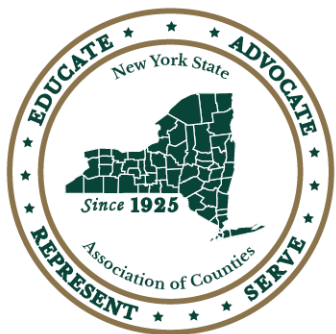
NYS Economic Outlook – Federal Impact on Personal Income

EFFECTS OF SELECTED FEDERAL PANDEMIC RESPONSE PROGRAMS ON NYS PERSONAL INCOME (in millions, annualized)

	2020Q2	2020Q3
Personal Income	179,745	97,617
Proprietor's Income	15,179	20,696
Farm Proprietors' Income	692	462
Coronavirus Food Assistance Program	468	297
PPP Loans to Businesses	224	165
Nonfarm Proprietors' Income (PPP)	14,487	20,234
Transfer Income	164,566	76,921
State Unemployment Insurance	76,170	53,750
Pandemic Emergency Unemployment Compensation (PEUC)	550	2,175
Pandemic Unemployment Assistance (PUA)	7,767	11,942
Pandemic Unemployment Compensation Payments	67,853	39,633
Other Transfers	88,396	23,172
Economic Impact Payments	63,218	915
Lost Wages Supplemental Payments	0	10,590
PPP Loans to NPISH	1,786	5,274
Provider Relief Fund to NPISH	22,840	5,550
Increase in Medicare Reimbursement Rate	553	843

Source: Bureau of Economic Analysis.

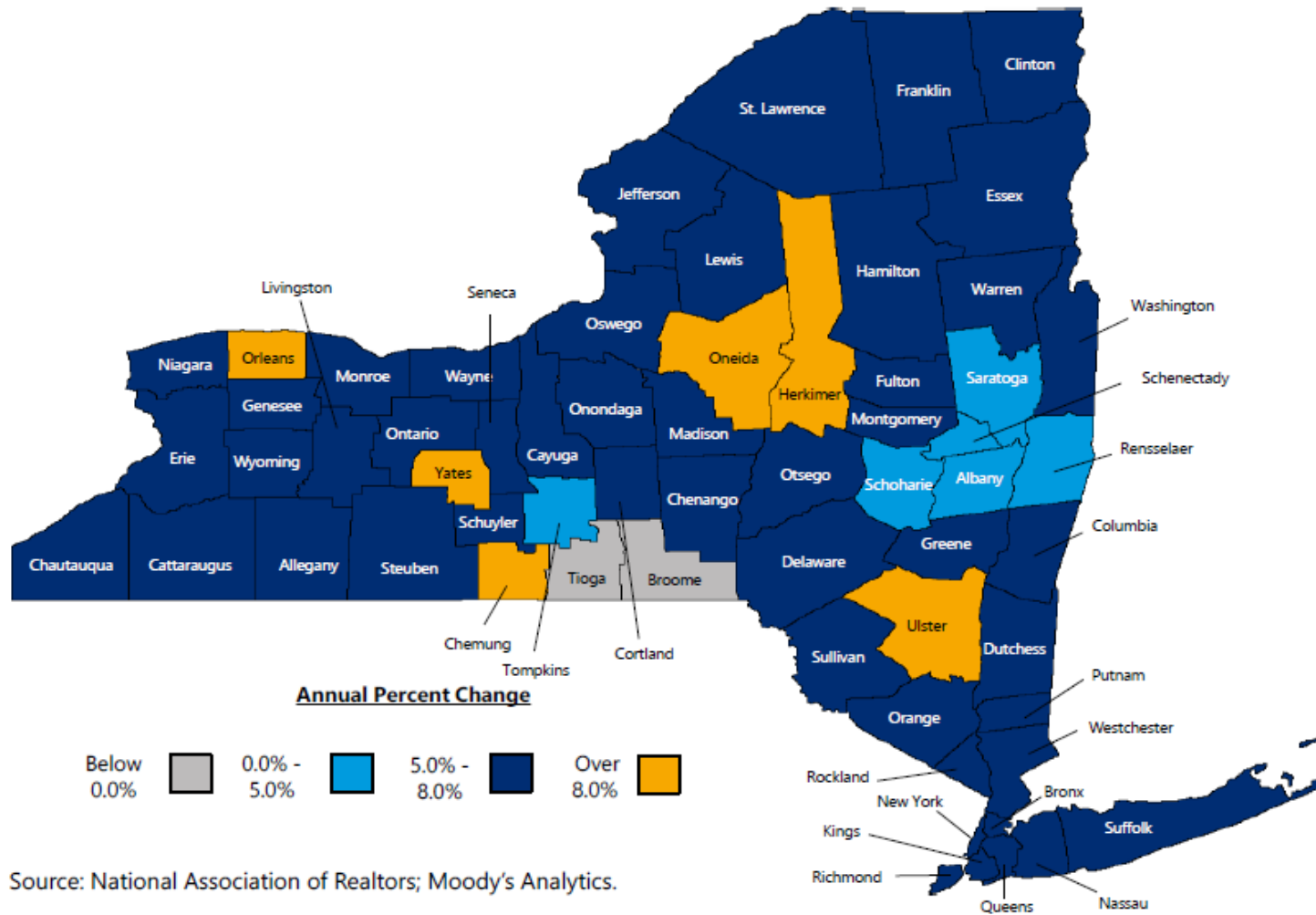
- The federal CARES Act increased the nonwage component of NYS personal income from 3.5% in 2019 to 12.9% in 2020.
- Nationally, the personal savings rate hit a high of nearly 34% in April after the first round of economic impact payments went out.
- DOB projects the Emergency Coronavirus Act of 2020 (December) will add \$81 billion to transfer income in early 2021.



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NYS Economic Outlook – Housing

Existing-Home Price Appreciation by County (first 9 Months of 2020)



- NYS housing market is not as robust as the rest of the nation.
- While single family housing starts nationwide are the highest since 2007, NYS experienced negative trends for 2020.
- Housing prices in NYS are still growing though, even with fewer transactions, but this varies by location.
- Price appreciation in 2020 has been far more uniform than in 2019.

Source: National Association of Realtors; Moody's Analytics.



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Closing the SFY 2021 Budget Gap

- The current year budget gap has fallen from nearly \$8.7 billion to \$4.8 billion under new estimates, closing this gap entails:
 - \$990 million from a 5% across the board cut in local assistance (as opposed to 20% withheld), cash re-estimates and targeted spending cuts (eliminating VLT aid & legislative adds, and public health cuts targeted to NYC, among others)
 - \$1.2 billion in Medicaid – cuts in reimbursements to general population managed and long term plans due to lower utilization, use of available balances and spending re-estimates,
 - \$517 million from portfolio Debt Management
 - \$2.5 billion CRF funding from
 - \$500 million enhanced Medicaid match (eFMAP)



State Budget Review

The SFY 2022 Budget Gap

- The projected budget gap for SFY 2022 is \$10.2 billion (down from \$16.7B)
 - Most of the reduction is due to higher than forecast income taxes (+\$8.2B over 2 years)
 - While revenues are higher than initially budgeted in the early days of the pandemic, they are far lower than what was collected in the prior year.
 - Revenues are projected to be \$40 billion lower over 4 years, vs. what was projected pre-pandemic.
 - Closing the budget gap for 2022 assumes 2 primary contingencies regarding the receipt of unrestricted federal assistance.
 - \$6 billion over two years, or
 - \$15 billion over two years



State Budget Review

Closing the SFY 2022 Budget Gap

- **Spending cuts \$3.6 billion**
 - Includes 5% cut in Aid to Localities
 - A \$1.65 billion negative adjustments to school aid (all school districts will receive an increase with already authorized federal aid backfilling losses)
 - Medicaid cuts of \$600 million
 - State Agency cuts of \$110 million
 - Debt Service/Capital Projects savings of \$135 million
- **Tax Increases \$2 billion**
 - PIT increase on wealthiest \$1.5 billion
 - Delay middle class income tax cut for one year \$400 million



State Budget Review

Closing the SFY 2022 Budget Gap

- **Federal Aid \$4.5 billion**
 - \$3 billion in unrestricted aid
 - \$1 billion from enhanced COVID FMAP of +5.6% federal share – budget assumes these enhanced funds will be available through the end of June 2021 (these savings are non-recurring)
 - \$600 million in additional FEMA funds
 - \$200 million in both 2023 and 2024, and \$0 thereafter



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Closing the SFY 2022 Budget Gap

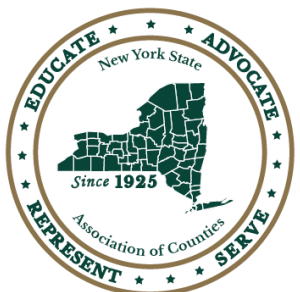
- Under the \$15 billion federal contingency restorations to proposed cuts would be considered
 - \$5.2 billion for following local assistance categories
 - \$1.65 billion in restorations to school districts
 - \$1.6 billion for other services and expenses of the State Education Department
 - \$600 million for operating expenses, including personal services
 - \$400 million for the Department of Health, municipalities and other public health organizations
 - \$700 million for vulnerable New Yorkers through social service programs
 - \$200 million for mass transit planning, administrative & operating aid
 - \$100 million for payments to local governments



State Budget Review

Closing the SFY 2021 -22 Budget Gap

There are nonrecurring
actions contributing to
out-year gaps



EXECUTIVE BUDGET GAP-CLOSING PLAN

(millions of dollars)

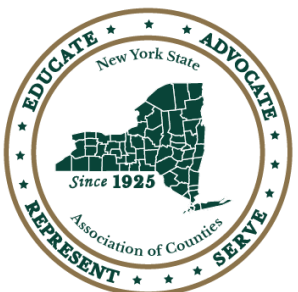
	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
UPDATED "BASE" BUDGET GAPS	(4,772)	(10,201)	(10,524)	(10,835)	(12,255)
Local Assistance ¹					
School Aid/Local District Funding Adjustment	0	1,506	1,518	1,466	1,419
Medicaid	1,230	599	351	297	136
All Other	991	1,265	880	997	928
Agency Operations	44	110	(591)	26	43
Debt Service/Capital Projects	517	135	139	(297)	(245)
New Revenues:					
PIT High-Income Surcharge	0	1,537	1,404	1,195	367
PIT Middle-Class Tax Cut One-Year Pause	0	394	403	445	464
All Other	17	60	348	513	542
Federal Resources:					
CRF	2,476	0	0	0	0
Medicaid FMAP	497	995	0	0	0
FEMA Reimbursement	(1,000)	600	200	200	0
Unrestricted Federal Aid	0	3,000	3,000	0	0
EXECUTIVE BUDGET GAPS	0	0	(2,872)	(5,993)	(8,601)

1. Includes savings from reductions outside the General Fund that are achieved through the transfer of balances and/(or) increase in revenues made available by spending reductions.

State Budget Review

Closing the SFY 2022 Budget Gap

- If the budget becomes “unbalanced” the budget proposes authority for the Governor to withhold local assistance
- “Unbalanced” is defined “...as of August 31, 2021, the state has received less than \$3B in unrestricted federal aid...”
 - **Exempt from withhold are:**
 - Public assistance payments to families
 - Any reductions that violate federal law
 - Constitutionally required payments such as debt service
 - Payments for school aid
 - Payments required under court orders of judgements
 - **If a locality fails to file their police reform certification, funds can also be withheld**



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The Reliance on Unrestricted Federal Aid

- The receipt of unrestricted federal aid in the amounts provided for in the budget, or any unrestricted federal aid, creates significant downside risk
- Congress has been unwilling to provide unrestricted aid to states and localities for nearly a year – even though the pandemic has never been worse than it is today
- The election change offers hope of this aid being enacted, but it is still an uphill battle
 - A key issue is how the U.S Senate works – any bill needs 60 votes to even be considered in that chamber
 - Right now, it does not appear there are enough votes to move the \$1.9 trillion package President Biden has presented



State Budget Review

The Reliance on Unrestricted Federal Aid

- If a bill can't move under regular order, there are special provisions to expedite legislation through congress under rules that require a simple majority in the Senate, this process is Budget Reconciliation
- Reconciliation is an optional procedure congress created in 1974 to move bills intended to reduce the federal deficit through the legislative process with fewer procedural hurdles
- Only 25 bills have moved through this process since 1974 and 4 have been vetoed
 - On average these bills take about 5 months to move through the process, but it has ranged from 27 days to 13 months
 - Each chamber has their own rules on budget reconciliation and certain provisions in the President's proposal would not qualify



State Budget Review

Changes in Taxation & Finance that Will Impact Counties

- Grant permanent local sales tax authority to counties at existing rate or up to 4 percent
 - Local renewals required every two years in odd years beginning in 2023
 - Does not impact current sales tax sharing arrangements
- Establishes Sales Tax Equity for Vacation Rentals
 - Requires vacation rental marketplace providers that facilitates the occupancy of a vacation rental to be responsible for the collection of state and local sales tax
- Provides for the application of local sales tax in adult use recreational marijuana sales
 - Continues Diversion of local sales tax for fiscally distressed health facilities at \$250 million per year (\$50 million counties, \$200 million NYC)



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Changes in Taxation & Finance that Will Impact Counties

- Expands investment options for localities to match investment options provided to NYC, including:
 - General obligation bonds and notes of any state other than New York (highest rating from 1 independent rating agency)
 - Obligations of any corporation organized under the laws of any state (highest rating of 2 independent rating agencies & no more than \$250M invested in any one corporation)
 - Banker's acceptances maturing up to 270 days – open market purchases by federal reserve banks
 - Expanded list of obligations of, or instruments used by any agency or instrument of the USA - \$250 million limit per agency
 - No load money market mutual funds, where payment is guaranteed by USA



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Changes in AIM

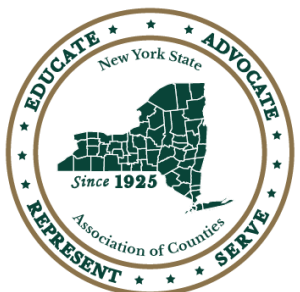
- Budget proposes to reduce AIM for Cities by about 5 percent for the whole class, but cuts will range from -2.5% to -20% depending on each city's reliance on AIM as a share of their total budget
 - Quartile 1 – 20% reduction (Least Reliant)
 - Quartile 2 – 15% reduction
 - Quartile 3 – 10% reduction
 - Quartile 4 – 2.5% reduction (Most Reliant)
- Budget proposes to shift the remaining towns and villages receiving direct AIM payments from the state to the county sales tax diversion process, becoming a county fiscal liability



State Budget Review

Changes in AIM

- The budget also proposes to reduce all AIM-related payments by 20 percent.
 - The state now diverts \$59.2 million in county sales tax to make AIM-related payments
 - The budget would shift the remaining \$8.5 million in town/village AIM to AIM-Related, for a total of \$67.7 million, before the proposed 20 percent reduction
 - After the 20 percent reduction, the amount of county sales tax subject to diversion by the state to make AIM-Related payments would be \$54.2 million
 - The budget proposal provides a net aggregate savings for counties of \$5 million in AIM-Related payments
 - The costs/savings are not evenly distributed among the counties
 - *22 counties would see an increase in costs of \$1.8 million in total*
 - *35 counties would see savings of \$6.8 million in total*



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Budget Proposals by Functional Area Impacting Counties

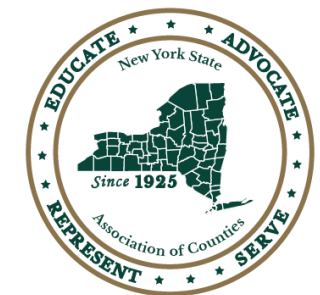
- **Aging** – Includes \$15 million for EISIP services, maintaining prior year adds and also waives local match requirements for the additional aid.
- **Agriculture** – the budget reduces total local assistance grant programs from \$31.2 million to \$27.4 million, a 12% reduction. Not all programs are cut, so the impact varies including the elimination of funding for migrant childcare (\$9.3M), golden nematode, TASTE NY, tractor rollover program, Northern NY Ag development, NYS turfgrass association, American Farmland trust, Cornell
 - Salmonella, Teens for Food Justice, Red Hook Farms, Met Council
 - Kosher Food Network, Harvest NY.



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Budget Proposals by Functional Area Impacting Counties

- **Community Colleges** – The budget proposes state per student FTE support of \$2,947, the same as last year, but this results in a reduction of \$11 million for community colleges in based aid support from \$432 million to \$421 million, a 2.5% cut. The budget highlights that this is due to decreased enrollment.
 - Preserves state financial aid benefits for students that were unable to complete academic requirements needed to maintain financial aid eligibility because of the COVID-19 pandemic.



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Budget Proposals by Functional Area Impacting Counties

- **Early Intervention** – reforms would save the state (\$11.9M) and counties and NYC would save (\$29.2 million)
 - Pay teletherapy rates at 20% lower than facility rates (\$2.5 million)
 - Align billing for Group Development with EI requirements (\$2.7 million)
 - Eliminate Consecutive Extended Sessions (\$24 million)



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Economic Development

- License movie theatres to sell alcohol
- Extends prevailing wage to covered renewable energy projects – separate thresholds for solar (over \$5M) and renewable energy systems (over \$10M) based on megawatts and overall project cost
- Broadband affordability – subsidized rates of \$15 per month, including any equipment charges, with limits on annual increases (once every 5 years at no more than the rate of inflation) – there is no language that restricts providers from charging current customers more to support the subsidized access
 - REDC funded at \$750 million, Downtown Revitalization at \$100 million

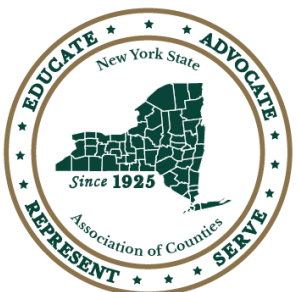


State Budget Review

Budget Proposals by Functional Area Impacting Counties

Economic Development

- Establishes the Pandemic Recovery and Restart Program – targeted to industries heavily impacted by the pandemic including food service and entertainment
 - Small Business Return-to-Work Tax Credit (\$50M) – Refundable tax credit would be available to eligible businesses that can show YtY revenue or job losses of 40% or more. \$5,000 per position created, with a cap of \$50,000 per business
 - Restaurant Return-to-Work Credit (\$50M) – Refundable tax credit for independently owned restaurants in NYC, or outside NYC that were designated Red or Orange zones for at least 30 days. Same payout as above.



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Economic Development

- *Pandemic Recovery and Restart Program (cont.)*
 - *New York City Musical and Theatrical Production Tax Credit (\$25M)* – a qualified musical or theatrical production company that spends at least \$1 million for qualified expenditures would be eligible for a refundable tax credit of 25% of the sum of its production expenditures with a cap of \$500,000 per company.



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Elections (no new state funding)

- Extends absentee ballot request time by 15 days
- Proposal to move the voter registration deadline from 25 days to 10 days
- Expands early voting hours
 - 1 hour on weekdays and 5 hours on weekends
 - Requires at least 1 early voting site per county remains open until 9:00pm at least 3 nights per week
 - Increases polling hours from 5 to 10 per day every Saturday and Sunday during the early voting period
- **The state Legislature is moving these proposals separately and they will likely be enacted before the budget is adopted**



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Environment

- Extends current funding for most environmental programs including \$500 million for clean water and \$300 million for Environmental protection Fund
- Wind and Solar Project Assessments
 - Proposes the establishment of a standard methodology for assessing the value of solar and wind energy systems utilizing specific income capitalization and discounted cash flow measures
 - Establishes local jurisdiction notification requirements for renewable energy project construction and timelines for PILOT agreements
 - Once a notification to build is received locally, the locality would have 60 days to respond in writing of its intent to require a contract for a PILOT. If not written response is provided by the locality within 60 days, the projected is not obligated to make PILOT payments



State Budget Review

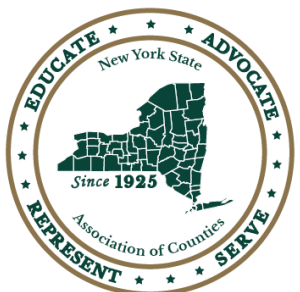
Budget Proposals by Functional Area Impacting Counties

Gaming

- Eliminates VLT aid for all municipalities outside of Yonkers (\$9.3M)

VLT Facility	Municipality	SFY 2020-21	SFY 2021-22
Empire City	City of Yonkers	\$ 19,600	\$ 18,620
	City of Batavia	\$ 441	\$ -
Batavia Downs	Town of Batavia	\$ 160	\$ -
	Genesee County	\$ 200	\$ -
Fairgrounds (Hamburg)	Town of Hamburg	\$ 866	\$ -
	Erie County	\$ 289	\$ -
Finger Lakes	Town of Farmington	\$ 1,778	\$ -
	Ontario County	\$ 591	\$ -
Monticello	Village of Monticello	\$ 291	\$ -
	Town of Thompson	\$ 635	\$ -
	Sullivan County	\$ 309	\$ -
Saratoga Springs	City of Saratoga Springs	\$ 2,326	\$ -
	Saratoga County	\$ 775	\$ -
Vernon Downs	Village of Vernon	\$ 137	\$ -
	Town of Vernon	\$ 232	\$ -
	Oneida County	\$ 257	\$ -
TOTAL		\$ 28,887	\$ 18,620

State Fiscal Impact: This proposal will achieve \$10.3 million in recurring savings.



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Gaming (cont.)

- Allows the Gaming Commission to issue a Request for Information (RFI) for the purpose of soliciting interest regarding the awarding of the 3 remaining gaming facility licenses authorized in current law
- Proposes the legalization of Mobile Sports Betting
 - Budget estimates new state revenues of \$49 million in SFY 2022,
 - \$357 million in SFY 2023; and
 - \$500 million upon full market maturity
 - The state would retain the vast majority of profits



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Gaming (cont.)

- Could OTBs participate in Mobile Sports Betting?
 - Unlikely, according to DOB, the bill language says “...mobile sports wagering shall be permitted by the commission through a platform provider or providers selected pursuant to a competitive bidding process conducted by the commission”, so this is open for any entities to bid a proposal that would provide a mobile sports wagering platform(s) for the State to use. While there are no specific limits as of now on how a bid has to be structured or what entity can make a bid, only established platform providers or developers are likely to be competitive.



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Human Services

- 5% across the board cuts dominate in this area (\$65.5 million) for counties and NYC, plus a \$15 million loss from elimination of Code Blue funding
- Additional Federal COVID appropriations for childcare are available to counties of \$27.2 million
- Budget proposes to close underutilized state youth facilities including Goshen Secure Center, Columbia Secure Center, Red Hook Non-Secure Residential Center and Brentwood Non-Secure Center
 - Begins implementation of Federal Family First Prevention Services Act – numerous new county requirements



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Judiciary & Court Related

- Includes Judgement Interest Rate reform
- Office of Indigent Legal Services is fully funded to continue the implementation of the Hurrell-Harring court settlement, this includes an increase of \$50 million in state aid, bringing the annual total to \$305 million for localities



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Adult Use Recreational Marijuana Legalization

- **Taxation**

- THC per milligram tax collected at the wholesale level
- 10.25% surcharge at retail
- State and local sales tax

- **Revenue**

- All Funds revenue of \$20 million in SFY 2022, growing to \$374 million by SFY 2027
- Creates various funds to address societal impacts, including:
 - Administration and oversight
 - Social and economic equity concerns
 - Substance abuse and harm reduction – numerous restrictions on advertising and POS location
 - Mental health and public health
 - Cannabis research and uses
 - Traffic safety pilot program, workgroup may include local officials such as DA, police/sheriff, etc.



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Adult Use Recreational Marijuana Legalization

- **Local Option**
 - All counties, as well as cities with a population of 100,000 or more can opt out of authorizing the cultivation, processing, distribution, and sale of adult-use marijuana with the passage of a local law – locality must act by December 31, 2021
 - Localities that allow cannabis licenses will be able to dictate time, place and manner of operations – no host community agreement or pay consideration to the locality is allowed other than reasonable zoning and permitting fees



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Medicaid

Investments (new costs)

- Maintain 340B to Community Health Centers, \$18 million
- Eliminate premiums for certain Essential Plan enrollees, \$100 million
- Increases rates paid to insurers for Essential Plan coverage, \$420 million
- Establish an Essential Plan Quality Pool, \$200 million

Savings

- *Pharmacy (\$15 million)* – discontinue prescriber prevails, end reimbursement for some OTC drugs
- *Long Term Care (\$117 million)* – End MLTC Quality Pool payments (\$52M), reduce worker recruitment/retention (\$23M), adjust MLR (\$22M), establish electronic visit verification for home care (\$20M)
- *Managed Care (\$64 million)* – End Quality Pool Payments (\$60M)
- *Hospitals (\$180 million)* – Reduce Vital Access provider Program (\$99M), End Public indigent Care Pool (\$65M)
- *Other (\$326 million)* – Telehealth expansion (\$40M), 1% across the board cuts to providers (\$95M)



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Medicaid – Federal Funds

- Enhanced COVID federal Medicaid Match (eFMAP) – the budget presumes the enhanced +6.2% federal Medicaid match will continue through June 30, 2021. This generates \$1 billion in non-recurring savings for the state in SFY 2022.
 - Counties share in this eFMAP
 - Counties have already received a reduction in their weekly Medicaid shares through March 31, 2021 in recognition of the eFMAP “earned” for the period ending September 30, 2020. If the budget assumptions are correct – then counties/NYC will be owed 3 more quarters of federal saving from the eFMAP
 - *3 additional quarters would be worth about \$495 million for the counties (\$195) and NYC (\$300M)*
 - *eFMAP applies counties that make hospital DSH payments as well as nursing home upper payment limit IGTs. The 50% nonfederal local match will be reduced to 43.8% during the eFMAP period. Refunds may be due to some counties that paid the full 50%.*



State Budget Review

Budget Proposals by Functional Area Impacting Counties

Public Health

Proposed Program Eliminations

- Rabies Prevention Program (\$1.34 M)
- Spinal Cord Research Program Phase-Out (\$2.4 M)
- Stem Cell Research Program Phase-Out (\$1.8 M)
- ECRIP (\$3.45 M)
- Alzheimer's Funding - Non-Global Cap Component (\$1.37 M)
- Infertility Program (\$1.95 M)

Proposed Program Reductions

- Reduce HCRA Rural Health Program by 25% (\$3.2 M)
- Defer SFY 2022 SOFA COLA (\$2.0 M)
- Reduce GPHW NYC Reimbursement rate to 10% (\$20.0 M)



State Budget Review

Budget Proposals by Functional Area impacting Counties

Personnel/Civil Service

- Require public and private employers to provide up to 4 hours of paid leave for up to 2 COVID-19 vaccinations

Procurement

- Extends local government piggybacking contracts for 2 years through July 31, 2023



State Budget Review

Budget Proposals by Functional Area impacting Counties

Public Safety

- Authorizes shared jails for contiguous counties – we are pursuing clarification on the parameters (Does it allow shared ownership? Enhanced boarding out? etc.)
- Budget proposes regulatory changes from the State Commission on Corrections to establish new minimum staffing levels for county jails
- The budget includes an additional \$5 million in aid to localities for expenses of housing and boarding felony offenders
- PSAP (\$10M) and SICG (\$65M) continues



State Budget Review

Budget Proposals by Functional Area impacting Counties

Shared Services

- Permanently extends the ability of county-led panels to meet and formulate action plans after 2021. There is no requirement to submit a plan, but a requirement to at least meet.
- Allows shared service savings ideas submitted in a prior year plan but not yet implemented to be eligible for state matching funds upon implementation
- Allows counties to pick a start date of January 1 or July 1 for shared services, while retaining that all projects in a Plan be implemented during the same 12 months



State Budget Review

Budget Proposals by Functional Area impacting Counties

Transportation

- All road and bridge programs extended except for \$65 million in Extreme Winter Weather Recovery funds.

Veterans

- Establishes ore veterans' treatment courts
- Removal of misdemeanor or felony action from local criminal court to veterans' treatment court in adjoining county, with DA consent (receiving)
 - Removal from a superior court to veterans' treatment court in adjoining county with DA consent
 - Clarifies that for matters where the accused and the alleged victim are members of the same family or household shall not be removed to a veterans' treatment court



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