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Thomas P. DiNapoli

LOCAL GOVERNMENT ISSUES IN FOCUS

Decision 2007:
Counties and the Medicaid Choice

Summary

- Legislation passed in the 2005-06 State Budget caps local Medicaid cost increases at 3.5 percent of 2005 expenditures in 2006, 6.75 percent in 2007, 9.75 percent in 2008 and an additional 3 percent each year thereafter. The legislation also allows for a sales tax swap option starting in 2008. Under this scheme, counties can forego a percentage of their future sales tax revenues rather than continue to operate under the Medicaid cap. Counties must opt in by September 2007.
- The intercept amount is based on a formula that derives a "Medicaid factor" using a county's Medicaid expenditures and aggregate sales tax base in State fiscal year 2006-07. Factors range from less than 1 percent to 2.3 percent and represent the percentage of monthly sales tax revenue collections that would be permanently intercepted in lieu of a Medicaid payment.
- Generally, counties that might consider the intercept option are those with historically low sales tax growth and a reasonable expectation of future anemic growth at a rate of less than 2.7 percent, which is approximately the average annual increase of the capped Medicaid payments through 2016.
- There are several reasons why counties should proceed with caution as they evaluate whether to choose the "swap option". For one, sales tax revenues are notoriously difficult to forecast because of their sensitivity to changes in the economy, the business cycle and tax policy. Secondly, opting for the "swap option" limits a county's ability to fully reap the benefits of an economic expansion; the formula itself is complex and has many inputs that are unique to each county.
- There are other important considerations: the decision is permanent; and the intercept is decidedly less predictable than the capped Medicaid payment. State policy makers should consider revisiting the irrevocable nature of the "swap option" to ensure that the State does not reap an unintended financial benefit in the event that the amount of sales tax revenue intercepted from a particular county exceeds the amount that the county would have owed under the capped Medicaid formula. A periodic fiscal review should be conducted by each county that opts for the sales tax intercept and counties should be given the opportunity to reverse their decision.
- Our own analysis of county historical sales tax trends, adjusted for sales tax rate increases, identifies seven counties (Monroe, Chemung, Erie, Schenectady, Wayne, Niagara and Allegany) with underlying sales tax revenue growth at or below 2.7 percent. When the intercept formula is calculated for these counties, assuming historical sales tax revenue growth, only Monroe, Schenectady, Wayne and Niagara appear to potentially benefit. However, even a slight increase of a half of one percent in the growth assumption significantly reduces or eliminates the fiscal benefit of the "swap option." All counties should perform some type of sensitivity analysis to understand how a change in the factors can alter their projections.
- The findings presented in this report should not be construed as recommendations, and counties should proceed with caution and make their own decision in light of the discussion presented herein.

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Introduction

The 2005-06 enacted State budget established a cap on local Medicaid costs paid by counties. Under the legislation, in the 2006 county fiscal year Medicaid cost increases were capped at 3.5 percent of 2005 base year expenditures. In 2007, cost increases are capped at 6.75 percent of base year expenditures and in 2008 and thereafter, cost increases will be capped at an additional 3 percent each year. Cost increases are not compounded.

Also effective in 2008, counties will have the option of "swapping" a percentage of their sales tax revenues (in perpetuity) in lieu of the 3 percent cap. Counties will have to decide on this sales tax intercept by September 30, 2007.

Under the Medicaid "swap option," the State would, in effect, intercept a predetermined portion of these revenues each month, before monthly distributions are made to county governments by the Office of the State Comptroller (OSC). This is a one-time decision and there are no provisions to allow counties to reverse course once the choice is made.

In order to evaluate whether or not to opt for the intercept, counties will have to carefully consider their sales tax revenue history, make some assumptions about the future growth of this important local revenue stream and think about the long-term effects of their decision on their communities. This brief is intended to help inform that process by offering guidance on county sales tax trends over time and by highlighting some of the implications of choosing the intercept option versus continuing to operate under the cap payment scheme.

Additionally, this document is intended to help inform the broader public discussion. The decisions that county officials make as to the future of their Medicaid situation will clearly have some bearing on the fiscal condition of their communities for years to come.

In light of the discussion presented in this analysis, state policymakers should take this opportunity to revisit the irrevocable nature of the "swap option" to ensure that the State does not reap an unintended financial benefit in the event that the amount of sales tax revenue intercepted from a particular county exceeds the amount that the county would have owed under the capped Medicaid formula. A periodic fiscal review should be conducted by each county that opts for the sales tax intercept and counties should be given the opportunity to reverse their decision.

Background on the Swap Option

If a county chooses the sales tax intercept option, it will not have to make future Medicaid payments. Therefore, it will only be fiscally beneficial for counties to select the sales tax intercept option when the rate of sales tax revenue growth is sufficiently less than the growth of Medicaid cap expenditures. For counties experiencing slow growth in sales tax revenues, giving up a portion of those revenues may be more cost effective than committing to a 3 percent annual Medicaid growth rate. Generally, the only counties likely to consider this option are those that have a reasonable expectation to project annual sales tax growth below 2.7 percent, which, on a compounded annual basis, is the effective growth rate of the capped Medicaid payments from 2006 to 2016.[1]

Sales Tax Forecasting

There are some important issues to consider when evaluating county specific sales tax data.

The sales tax is a highly volatile revenue source because of its sensitivity to changes in major economic factors and the business cycle. These factors include retail sales and consumption, employment, disposable income, and additions or exclusions of goods and services from the sales tax base. As such, the trajectory of a county's sales tax trend line to some point in the future is difficult to ascertain with any degree of certainty.

Additionally, it is important to note that in recent years, many counties have relied on local sales tax rate increases to generate additional revenues. Indeed, between 1996 and 2006, 36 of 57 counties adopted at least one local sales tax rate increase. This requires a county to adjust its overall sales tax rate of growth for any such tax rate increases in order to isolate revenue growth resulting from the county's underlying economic activity. Such an exercise will produce a more accurate picture upon which to base this important decision.

Moreover, the mix of goods and services subject to the sales tax – the sales tax base – is likely to change over time depending on modifications to State or local legislation. One recent example of a tax base change is the sales tax exemption on clothing and footwear priced under $110, which was instituted by the State in 2000. County participation is at local option and presently, 12 counties and New York City participate.

In order to make an informed decision about whether or not to opt into the sales tax swap, counties need to develop a historical sales tax revenue base which adjusts for these factors. Once this is accomplished, a county can model various scenarios based upon a variety of economic growth assumptions.

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[1] Bragdon, Todd. From Headache to Migraine? Medicaid Cap Strengthens Need for Remedies in NY. Empire Center for New York State Policy, NY Health Points Policy Briefing No. 1. February 2006.

As demonstrated in Table 1, these adjustments can significantly change a county's 10-year average annual growth rate. For example, in the case of Delaware County, a simple calculation based just on collection figures for 1996 through 2006 indicates a growth level of over 11 percent. Once the revenues are adjusted for the local sales tax rate increase from 2 to 4 percent during that time however, the underlying economic activity shows a much lower historical growth rate of 3.8 percent. Other cases, while less dramatic, can make the difference between considering the intercept and not considering it. In the case of Chemung County, the unadjusted growth rate is 5.6 percent, versus an adjusted rate of 2.6 percent. As previously mentioned, the "threshold rate" at which the intercept option may be advantageous is around 2.7 percent.

In light of these issues, counties should be cautious when considering their historical data and projecting future sales tax trends. The process by which a county must examine its growth moving forward is complicated since future sales tax figures are difficult to predict and are largely influenced by economic factors at both the regional and national level. Moreover, while the formula upon which this analysis is based captures both county and pre-empting city trends and adjusts for the impact of local rate changes, there are other considerations for which there is no simple remedy. Measuring the effect of tax base changes (e.g. clothing and footwear exemption) at the local level is one example of such a limitation. Accounting for retroactive adjustments to cash collections is another. Even slight adjustments to growth assumptions can, in some cases, make the difference in the analysis. The level of sophistication in revenue forecasting that could adequately account for these factors is beyond the scope of this report.

State Trends:
According to recent budget documents, the State is projecting annual sales tax receipts to grow about 4 percent in 2007-08.

Historical Sales Tax Revenue Trends

Sales tax data was provided by the Department of Taxation and Finance for the 10-year period from 1996 to 2006. After making the necessary adjustments to account for local sales tax rate increases, Table 1 captures the underlying annual average growth in revenues. Based on this analysis some interesting trends emerge:

- The majority of counties have an annual growth rate of more than 3 percent, although the number of counties at or above this rate of growth drops from 54 to 48 when adjusted for sales tax rate changes.
- On an unadjusted basis, only one county (Monroe) experienced an average annual growth rate of less than 2.7 percent between 1996 and 2006. However, when this growth rate is adjusted for local sales tax rate changes, 7 counties have an adjusted growth rate of 2.7 percent or less.
- Counties with the lowest adjusted sales tax growth rates are: Schenectady (1.76 percent), Monroe (1.92 percent), Wayne (2.04 percent), Niagara (2.16 percent), Allegany (2.47 percent), Chemung (2.63 percent), and Erie (2.70 percent).

Obviously, each county should conduct its own analysis as part of considering the sales tax swap option.

Analyzing the Swap Option

While the intercept option could be beneficial for a county over the next several years, applying a long-term view will help local officials focus on the implications for future generations. It is possible that, over time, the intercept amount will exceed the cap payment because the sales tax intercept amount compounds annually by the rate of growth in sales tax revenue while the Medicaid cap growth rate (3 percent) does not.

For example, the analysis presented in this report indicates that there are seven counties whose adjusted historical sales tax trend line suggests that they might benefit from the intercept option. We then calculated an estimated annual intercept amount for these counties assuming that their sales tax revenues will continue to grow at the adjusted 10-year average rate for the period 2008 to 2016. We did not make any adjustments based on changes in economic conditions or potential sales tax base changes. Using what is admittedly a simplistic approach, it appears that only a limited number of counties might benefit:

- Four counties (Monroe, Schenectady, Wayne and Niagara) could realize a net benefit through 2016;
- One county (Erie) could realize a benefit only for the first six years; and
- Two counties (Allegany and Chemung) could realize no net benefit because the estimated annual intercept amount would exceed the capped Medicaid payment. In Allegany county, this appears to be due a high Medicaid factor. In Chemung's case, a projected sales tax growth rate only slightly below the 2.7 percent threshold combined with an average Medicaid factor produces an intercept amount that is almost equal to the capped Medicaid amount in the first five years and exceeds it thereafter.

Table 2 lays out various cost/benefit illustrations based on a variety of sales tax growth assumptions. Clearly, a small, resonable difference in projected growth rates can have a significant impact on any one county's decision.

What is to be learned from this exercise is that every formula input matters, from the Medicaid factor (which will never change) to the monthly calculated base, to the assumed sales tax growth, to the local sales tax rate. The relationships and interplay among these variables is neither obvious nor intuitive. Even the slightest change to the assumed rate of sales tax revenue growth can make a big difference in terms of a county seriously considering the intercept or not. Additionally, comparisons and generalizations are difficult to make given the unique set of circumstances that characterize each and every county.

Indeed, as mentioned above, even though Allegany's historical sales tax growth is relatively low at 2.47 percent, any benefit– in terms of the formula– is negated by the fact that the County has the highest Medicaid Factor at 2.3 percent.

Intercept Calculation

There are three “versions” of the sales tax intercept formula depending on the system of sales tax administration for a particular county and its cities. Simply put, the formula’s processes will depend on the way in which a county and the cities within its borders divide sales tax revenue. Specifically, the different versions of the formula are distinguished in the following manner:

1. For counties with no cities imposing sales tax.
2. For counties with a city or cities imposing sales tax, and the combined city/county sales tax rate equals the general county rate outside the city or cities.
3. For counties with a city or cities imposing sales tax, and the combined city/county sales tax rates do not equal the general county rate in the area of the county outside the city or cities.

Most counties in New York fall under the first category, and Westchester County is the only county that meets the criteria for the third. All three formulas are variations on the same theme; the differences are simply processes that standardize tax base calculations.

The first tier of the intercept formula is the calculation of a Medicaid factor that determines the percentage of a county’s sales tax revenue that the State will intercept. This factor is expressed as a percentage (similar to a tax rate) and was calculated by dividing a county’s Medicaid expenses in State Fiscal Year 2006-07 by its calculated aggregate sales tax base. The Medicaid factor is then applied to the county monthly sales tax revenues collected by the State beginning in 2008 to determine the monthly intercept amount. The Tax Commissioner has calculated the Medicaid factor for each county and notified each county’s chief fiscal officer in April 2007.

Other Important Considerations

Given the importance of this decision, counties should be aware of the specific consequences associated with continuing under the cap versus selecting the sales tax swap:

- **Permanent Decision –** The legislation does not allow a county to retract its decision to adopt the sales tax intercept option; it remains in effect indefinitely. Likewise, if a county chooses not to participate, that decision cannot be changed at a later date.

- **Economic Changes –** Although the Medicaid factor never changes, the calculated monthly sales tax base, upon which it is applied, does change. As such, during periods of economic decline, the intercept amount may decrease in proportion to the decline in sales tax collections. Similarly, during a period of economic expansion, the intercept amount will increase in proportion to the increase in sales tax collections. Potential fluctuations such as these diminish the element of predictability that the cap was designed to offer. Moreover, during an economic expansion, a county may lose the opportunity to fully reap the benefits of increased sales tax revenue because the intercept amount may actually exceed what would have been the county’s Medicaid cap payment. Counties remaining under the cap are protected from such a scenario. In the event that the amount the county would have paid under the old formula is less than what is owed under the cap, the county is due the difference from the State.

- **Tax Base Changes –** Counties, or the State, could stop taxing items they had previously taxed (e.g. clothing and footwear, residential energy) thus reducing the sales tax base which would result in a lower monthly intercept amount. Similarly, the State could modify products or services subject to the sales tax which could enhance the sales tax base.

- **Future Rate Changes –** Future rate increases in the local sales tax will have no bearing on the total percentage of sales tax revenue that a county must forego to cover the intercept. For example, a county that opts for the sales tax intercept and is paying 1.5 percent of its local sales tax rate of 3 percent to the State, based on its specific intercept calculation and Medicaid factor, will continue to do so, even if the county raises its sales tax rate from 3 percent to 4 percent. The revenue benefit that results from a rate increase will not be diminished because of the intercept.

- **Gross vs. Net Distributions –** The intercept amount is calculated based on the gross monthly distribution of sales tax revenue to counties rather than the net amount of sales tax revenue retained by counties *after* distribution to localities within its borders via sharing agreements. Thus, a county's intercept amount may be greater than the amount of sales tax revenue actually retained by the county after distributions are made to municipalities with which it has sharing agreements. This is one aspect of the intercept legislation that is already being challenged in the courts (see textbox). The outcome could have implications statewide, yet may not be decided in time for the September 2007 deadline.

> Monroe County's intercept amount would exceed the revenues it retains after distributions based on existing sharing agreements. As such, the County is currently in litigation over the authorizing language because it believes the intercept amount should be taken before distributions are made to sharing partners. The sharing partners have taken a different view and believe that the law prohibits the County from diminishing the amounts payable under the sharing agreements

- **Other Intercepts –** Similarly, legal issues concerning how the Medicaid intercept would affect previously established intercepts has come into question. Such is the case in Erie County. Recent press reports suggest that the County is considering the option. However, Erie County's sales tax revenues are already intercepted by the Erie County Fiscal Stability Authority (ECFSA) for debt service payments. While no legal action has been initiated at the time of this publication, it is unclear as to whether lawyers for the County will agree with ECFSA's understanding of how the intercept will work if the County selects the option. According to ECFSA, the original intercept will continue as is: OSC will send sales tax revenues directly to the ECFSA, ECFSA will pay the County's debt obligations then remit the difference to the County. The County will then have to send the Medicaid intercept amount back to OSC.

Counties will have to make their decision based on the degree to which they believe that their sales tax revenues will grow compared to the set rate of growth in Medicaid cap payments. The Department of Taxation and Finance has offered historical sales tax data to counties to assist them before they have to make their decisions by September 30, 2007. The Department has stated that it will not proffer recommendations for a particular county's optimal course of action, and in no way should this report be seen as recommending one course of action over another. Each county will have to make that decision in light of the numerous and complex considerations discussed here.

Unadjusted County Sales Tax Growth						Adjusted County Sales Tax Growth			
Distributions				Local Rates		Adjusted Distributions			
County	1996	2006	Average Annual Percent Change 1996-2006	1996	2006	County	1996	2006	Average Annual Percent Change 1996-2006
Albany	160,667,819	227,936,283	3.56%	4.00%	4.00%	**Albany**	160,667,819	227,936,283	3.56%
Allegany	11,763,552	16,889,291	3.68%	4.00%	4.50%	**Allegany**	11,763,552	15,012,703	2.47%
Broome	75,794,704	103,981,149	3.21%	4.00%	4.00%	**Broome**	75,794,704	103,981,149	3.21%
Cattaraugus	22,165,469	31,071,944	3.44%	4.00%	4.00%	**Cattaraugus** (1)	26,163,354	35,241,834	3.02%
Cayuga	19,858,066	29,054,612	3.88%	4.00%	4.00%	**Cayuga** (1)	23,693,614	36,394,501	4.39%
Chautauqua	34,740,350	61,491,422	5.88%	3.00%	4.00%	**Chautauqua** (2)	34,740,350	62,896,586	6.12%
Chemung	28,505,048	49,288,169	5.63%	3.00%	4.00%	**Chemung**	28,505,048	36,966,127	2.63%
Chenango	8,764,368	17,913,790	7.41%	3.00%	4.00%	**Chenango**	8,764,368	14,766,625	5.36%
Clinton	23,955,656	41,901,119	5.75%	3.00%	3.75%	**Clinton**	23,955,656	33,520,895	3.42%
Columbia	19,011,137	31,668,939	5.24%	4.00%	4.00%	**Columbia**	19,011,137	31,668,939	5.24%
Cortland	17,268,760	22,696,414	2.77%	4.00%	4.00%	**Cortland**	17,268,760	22,696,414	2.77%
Delaware	7,093,589	20,637,572	11.27%	2.00%	4.00%	**Delaware**	7,093,589	10,318,786	3.82%
Dutchess	83,619,363	149,078,594	5.95%	3.00%	3.75%	**Dutchess**	83,619,363	119,262,875	3.61%
Erie	389,389,607	603,476,173	4.48%	4.00%	4.75%	**Erie**	389,389,607	508,190,462	2.70%
Essex	11,818,543	22,842,174	6.81%	3.00%	3.75%	**Essex**	11,818,543	18,273,740	4.45%
Franklin	9,039,613	16,842,219	6.42%	3.00%	4.00%	**Franklin** (2)	9,039,613	13,862,864	4.37%
Fulton	8,331,038	17,458,995	7.68%	3.00%	4.00%	**Fulton** (1)	14,525,935	22,070,178	4.27%
Genesee	17,173,944	31,030,526	6.09%	4.00%	4.00%	**Genesee** (1)	19,815,891	31,030,526	4.59%
Greene	14,493,588	26,431,417	6.19%	4.00%	4.00%	**Greene**	14,493,588	26,431,417	6.19%
Hamilton	1,711,721	2,678,418	4.58%	3.00%	3.00%	**Hamilton**	1,711,721	2,678,418	4.58%
Herkimer	15,479,053	23,582,382	4.30%	4.00%	4.00%	**Herkimer**	15,479,053	23,582,382	4.30%
Jefferson	30,148,951	60,686,082	7.25%	3.00%	3.75%	**Jefferson**	30,148,951	48,548,865	4.88%
Lewis	4,396,878	9,288,789	7.77%	3.00%	3.75%	**Lewis**	4,396,878	7,431,031	5.39%
Livingston	12,683,137	24,716,657	6.90%	3.00%	4.00%	**Livingston**	12,683,137	18,537,493	3.87%
Madison	11,333,182	21,476,458	6.60%	3.00%	4.00%	**Madison** (1)	13,322,934	19,111,097	3.67%
Monroe	317,669,452	384,135,892	1.92%	4.00%	4.00%	**Monroe**	317,669,452	384,135,892	1.92%
Montgomery	11,135,802	24,536,953	8.22%	3.00%	4.00%	**Montgomery**	11,135,802	18,402,715	5.15%
Nassau	663,238,374	997,705,692	4.17%	4.25%	4.25%	**Nassau**	663,238,374	997,705,692	4.17%
Niagara	55,585,477	91,761,967	5.14%	3.00%	4.00%	**Niagara**	55,585,477	68,821,475	2.16%

(1) Includes revenue for one or more pre-empting city

(2) Adjusted for mid-year rate increase in 2006

(3) 3% local rate not effective until 3/97; used 98-06 comparison as a proxy.

*Final 2007 tax rate information not available at the time of this publication

Unadjusted County Sales Tax Growth						Adjusted County Sales Tax Growth			
Distributions				Local Rates		Adjusted Distributions			
County	1996	2006	Average Annual Percent Change 1996-2006	1996	2006	County	1996	2006	Average Annual Percent Change 1996-2006
Oneida	64,882,938	127,383,444	6.98%	4.00%	5.00%	**Oneida** (1)(2)	77,118,686	147,646,367	6.71%
Onondaga	153,072,996	284,925,920	6.41%	3.00%	4.00%	**Onondaga**	153,072,996	213,694,440	3.39%
Ontario	32,023,372	57,997,043	6.12%	3.00%	3.125%	**Ontario** (1)(2)	36,142,587	57,628,326	4.78%
Orange	96,421,468	219,619,088	8.58%	3.00%	3.75%	**Orange**	96,421,468	175,695,270	6.18%
Orleans	9,522,606	12,563,507	2.81%	4.00%	4.00%	**Orleans**	9,522,606	12,563,507	2.81%
Oswego	15,533,338	29,638,061	6.67%	3.00%	4.00%	**Oswego** (1)(3)	21,989,395	31,373,955	4.54%
Otsego	14,641,084	33,081,175	8.49%	3.00%	4.00%	**Otsego**	14,641,084	24,810,881	5.42%
Putnam	19,604,090	42,974,171	8.16%	3.00%	3.50%	**Putnam**	19,604,090	36,835,004	6.51%
Rensselaer	39,259,093	62,153,809	4.70%	4.00%	4.00%	**Rensselaer**	39,259,093	62,153,809	4.70%
Rockland	76,177,595	156,905,916	7.49%	3.00%	3.625%	**Rockland**	76,177,595	129,853,172	5.48%
St. Lawrence	24,334,596	37,640,580	4.46%	3.00%	3.00%	**St. Lawrence** (1)	25,866,948	37,640,580	3.82%
Saratoga	51,378,475	91,079,732	5.89%	3.00%	3.00%	**Saratoga** (1)	51,378,475	99,393,499	6.82%
Schenectady	42,607,432	67,626,580	4.73%	3.00%	4.00%	**Schenectady**	42,607,432	50,719,935	1.76%
Schoharie	6,427,455	13,672,549	7.84%	3.00%	4.00%	**Schoharie**	6,427,455	10,254,412	4.78%
Schuyler	3,484,791	8,297,949	9.06%	3.00%	4.00%	**Schuyler**	3,484,791	6,223,462	5.97%
Seneca	8,398,479	18,330,792	8.12%	3.00%	4.00%	**Seneca**	8,398,479	13,748,094	5.05%
Steuben	26,379,888	37,780,792	3.66%	4.00%	4.00%	**Steuben** (1)	30,557,212	42,379,383	3.32%
Suffolk	593,621,555	1,137,434,100	6.72%	4.00%	4.25%	**Suffolk**	593,621,555	1,070,526,212	6.07%
Sullivan	16,897,232	32,531,975	6.77%	3.00%	3.50%	**Sullivan**	16,897,232	27,884,550	5.14%
Tioga	10,400,194	18,333,270	5.83%	3.50%	4.00%	**Tioga**	10,400,194	16,041,611	4.43%
Tompkins	27,287,713	40,423,258	4.01%	4.00%	4.00%	**Tompkins** (1)	32,784,205	48,675,594	4.03%
Ulster	55,821,710	98,281,471	5.82%	3.75%	4.00%	**Ulster**	55,821,710	92,138,879	5.14%
Warren	26,157,031	44,682,128	5.50%	3.00%	3.00%	**Warren** (1)	28,647,778	47,542,351	5.20%
Washington	9,567,891	15,487,949	4.93%	3.00%	3.00%	**Washington**	9,567,891	15,487,949	4.93%
Wayne	19,813,920	32,329,646	5.02%	3.00%	4.00%	**Wayne**	19,813,920	24,247,235	2.04%
Westchester	249,401,985	442,254,806	5.90%	2.50%	3.00%	**Westchester** (1)	323,984,360	485,543,056	4.13%
Wyoming	9,654,686	13,728,131	3.58%	4.00%	4.00%	**Wyoming**	9,654,686	13,728,131	3.58%
Yates	4,378,930	8,744,479	7.16%	3.00%	4.00%	**Yates**	4,378,930	6,558,359	4.12%

(1) Includes revenue for one or more pre-empting city

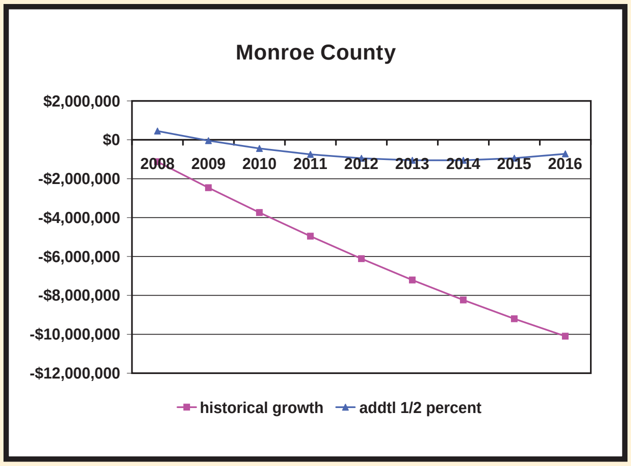
(2) Adjusted for mid-year rate increase in 2006

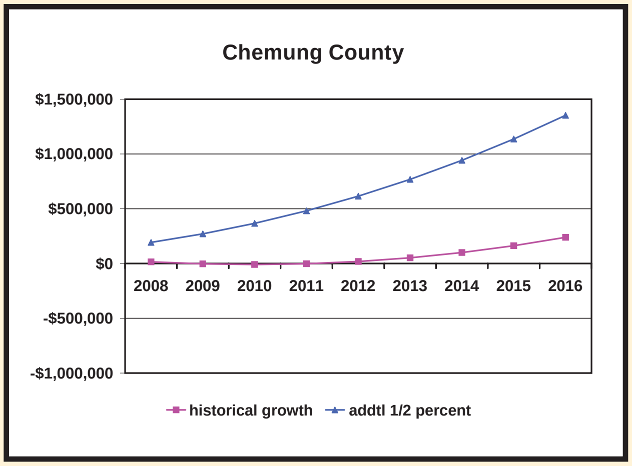
(3) 3% local rate not effective until 3/97; used 98-06 comparison as a proxy.

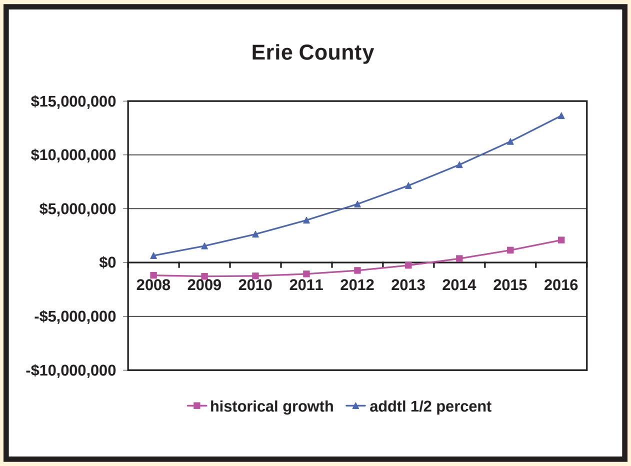
*Final 2007 tax rate information not available at the time of this publication

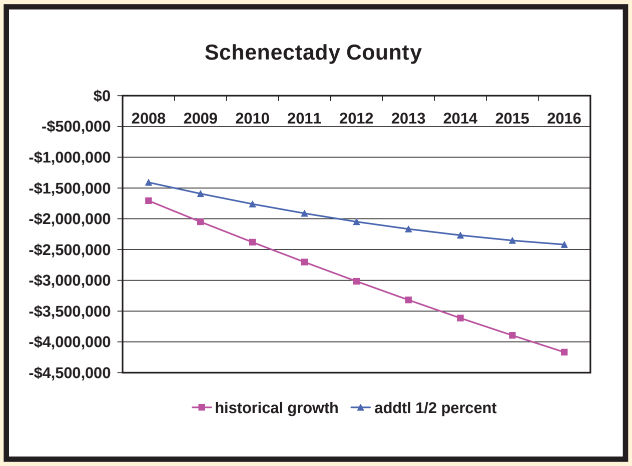
Sales Tax Intercept Versus Medicaid Cap Payment

Scenarios Assuming Varying Sales Tax Revenue Growth Rates









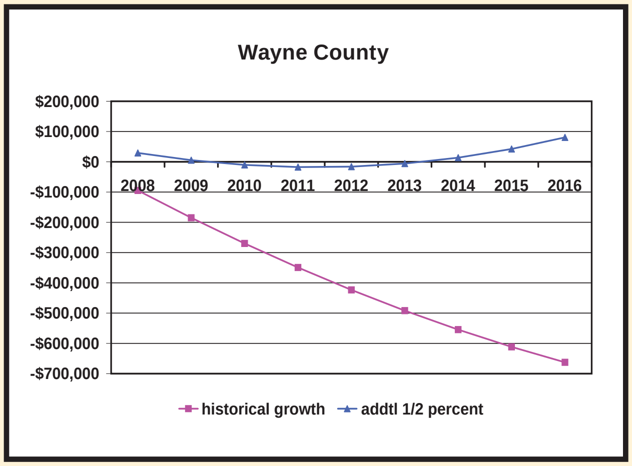
Key

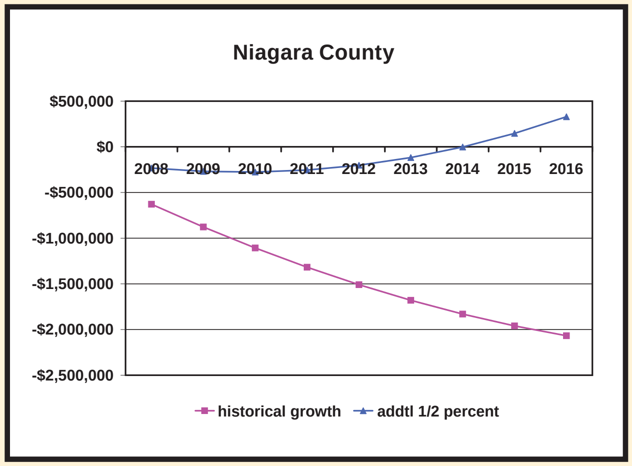
Amounts > $0 = intercept exceeds Medicaid cap payment

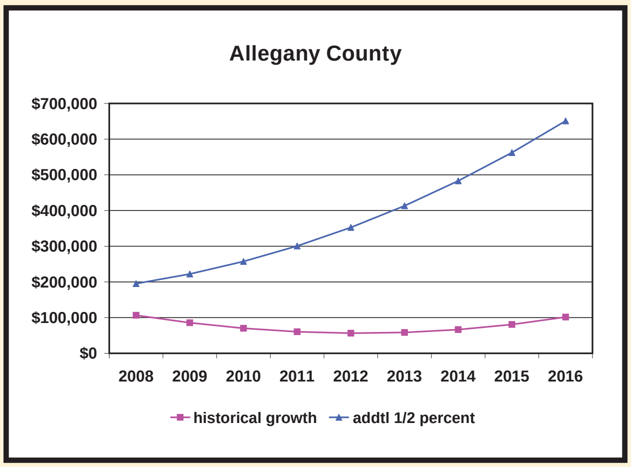
Amounts < $0 = intercept is lower than Medicaid cap payment

Sales Tax Intercept Versus Medicaid Cap Payment

Scenarios Assuming Varying Sales Tax Revenue Growth Rates







Key

Amounts > $0 = intercept exceeds Medicaid cap payment

Amounts < $0 = intercept is lower than Medicaid cap payment

MEDICAID FACTOR: NYS Counties

April 2007

Classification of Counties for Medicaid sales tax intercept

A. Counties with no cities imposing sales tax

B. Counties with one or more cities imposing sales tax and the combined city/county rate equals the general couny rate outside the city or cities

C. Counties with one or more cities imposing sales tax and the combined city/county rate does not equal the general county rate outside the cities

County	Class	Social Services District Expenditure Cap Amount	Medicaid Factor	SFY 2006-07 Tax Base
Albany	A	54,185,552	0.0096	5,650,089,274.25
Allegany	A	8,513,650	0.0230	370,882,854.67
Broome	A	32,953,790	0.0128	2,576,367,096.00
Cattaraugus	B	14,446,826	0.0166	870,530,517.75
Cayuga	B	12,254,041	0.0136	900,037,845.00
Chautauqua	A	26,898,540	0.0186	1,443,241,702.72
Chemung	A	17,255,604	0.0140	1,228,549,381.00
Chenango	B	8,498,497	0.0177	480,088,133.00
Clinton	A	14,918,218	0.0133	1,120,149,610.13
Columbia	A	9,496,931	0.0126	750,980,752.25
Cortland	A	8,612,264	0.0154	558,711,092.75
Delaware	A	7,439,669	0.0144	517,216,716.00
Dutchess	A	36,385,527	0.0092	3,953,990,780.80
Erie	A	179,437,787	0.0140	12,789,025,180.84
Essex	A	5,769,473	0.0094	614,910,156.80
Franklin	A	8,585,883	0.0180	476,970,268.08
Fulton	B	11,804,895	0.0208	567,349,077.75
Genesee	A	8,217,036	0.0107	769,704,199.00
Greene	A	8,368,822	0.0127	657,973,749.00
Hamilton	A	552,020	0.0062	88,886,372.00
Herkimer	A	11,625,651	0.0197	589,866,126.75
Jefferson	A	17,101,452	0.0106	1,610,426,644.27
Lewis	A	4,327,750	0.0175	247,288,896.00
Livingston	A	7,933,354	0.0129	615,648,882.00
Madison	B	9,544,100	0.0151	630,904,600.75
Monroe	A	153,721,694	0.0161	9,527,609,007.00
Montgomery	A	10,235,299	0.0166	618,409,479.50
Nassau	B	200,275,351	0.0086	23,365,820,885.88
Niagara	B	38,981,908	0.0159	2,448,115,432.75

MEDICAID FACTOR: NYS Counties

April 2007

Classification of Counties for Medicaid sales tax intercept

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County	Class	Social Services District Expenditure Cap Amount	Medicaid Factor	SFY 2006-07 Tax Base
Oneida	B	47,686,542	0.0179	2,658,344,600.44
Onondaga	A	87,835,042	0.0124	7,097,052,481.25
Ontario	A	13,918,921	0.0071	1,950,616,505.85
Orange	B	61,341,260	0.0106	5,810,668,831.73
Orleans	A	7,104,561	0.0223	318,432,950.50
Oswego	B	21,302,183	0.0179	1,189,780,672.75
Otsego	A	8,991,184	0.0110	818,336,357.00
Putnam	A	8,238,384	0.0068	1,218,668,050.86
Rensselaer	A	28,970,298	0.0190	1,525,551,853.00
Rockland	A	56,982,568	0.0131	4,355,930,480.37
St. Lawrence	A	20,416,246	0.0160	1,276,307,656.00
Saratoga	B	21,121,023	0.0064	3,281,006,411.33
Schenectady	A	29,090,015	0.0173	1,680,750,047.50
Schoharie	A	4,909,957	0.0150	328,087,636.00
Schuyler	A	3,214,603	0.0157	204,533,948.75
Seneca	A	5,116,963	0.0111	462,170,477.50
Steuben	B	16,697,524	0.0159	1,050,608,971.75
Suffolk	A	213,016,780	0.0079	27,082,560,171.53
Sullivan	A	17,379,692	0.0189	917,590,964.00
Tioga	A	6,955,452	0.0155	449,116,308.00
Tompkins	B	10,227,683	0.0083	1,230,126,171.25
Ulster	A	31,075,931	0.0127	2,446,196,154.25
Warren	B	10,471,870	0.0067	1,574,649,520.67
Washington	A	9,654,478	0.0188	514,444,340.67
Wayne	A	12,088,017	0.0150	806,858,774.50
Westchester	C	185,489,308	0.0105	17,751,754,319.67
Wyoming	A	4,644,485	0.0136	340,354,087.00
Yates	A	3,652,081	0.0165	221,709,993.00
Total		**1,875,934,635**		**164,601,953,451.81**

New York State
Office of the State Comptroller

Division of
Local Government and School Accountability

For additional copies of this report contact:

New York State Comptroller's Office
Division of Local Government and School Accountability
110 State Street, 12th floor
Albany, New York 12236
(518) 474- 6975

Email address: localgov@osc.state.ny.us
www.osc.state.ny.us