



**Albany County State of the Fisc 2004  
May 9, 2005**

**Presented by  
Michael F. Conners, II  
Albany County Comptroller**

## **2005 State of the Fisc**

### **Welcome and Opening**

Good evening Chairman, Members of the Legislature and guests. Our office filed the Annual Financial Report with the Office of State Comptroller April 29<sup>th</sup>. It is an honor and privilege to address the results of 2004 with you again this evening.

The General Fund (A Fund) Expenditures for 2004 exceeded General Fund Revenues. The Expenditures were \$378.6 million versus Revenues of \$375.9 million for a negative difference of \$2.7 million. Expenditures for 2004 in the General Fund were up by \$349 thousand from 2003 while 2004 Revenues in the General Fund increased by \$4.4 million over the 2003 Revenues.

The overall comparison of 2004 with 2003 shows that we have reduced the overall fund equity by almost \$1.8 million dollars, primarily due to an excess of expenditures over actual revenues in the general fund.

We now have an undesignated fund balance of \$17.7 million or 4.32% of our 2005 appropriations. From a relatively positive viewpoint, we have reduced our rate of erosion of the undesignated fund balance and our deficit of Expenditures over Revenues in the General Fund to \$2.6 million for 2004 versus the deficit of \$6.7 million in 2003. The County's debt rating could be adversely affected by further deterioration of our Undesignated Fund Balance.

## Highlights from 2004 Albany County AFR filed with NYS OSC

<u>OVERALL COMPARISON 2004 VS. 2003</u>			
	<u>2003</u>	<u>2004</u>	<u>INCREASE/ (DECREASE)</u>
EXCESS OF REVENUE, APPROPRIATION OF PRIOR YEAR FUND BALANCE AND OTHER SOURCES OVER EXPENDITURES, ENCUMBRANCES AND OTHER USES	7,126,547	5,571,908	
APPROPRIATED FUND BALANCE IN SUBSEQUENT BUDGET	10,000,000	6,500,000	
UNDESIGNATED FUND BALANCE	18,661,924	17,733,832	(928,092)
PERCENTAGE OF UNDESIGNATED FUND BALANCE TO TOTAL REVENUE TO TOTAL 2005 APPROPRIATIONS	5.02%	4.72% 4.32%	
REVENUES	371,561,236	375,996,210	4,434,974
EXPENDITURES	378,332,568	378,682,179	349,611
EXCESS OF REVENUES OVER EXPENDITURES	(6,771,332)	(2,685,969)	
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>DIFFERENCE</u>
	<u>2004</u>	<u>2004</u>	
REVENUE	380,684,999	375,996,210	(4,688,789)
EXPENDITURES	393,095,845	378,682,179	(14,413,666)
<b>DECREASE IN OVERALL FUND EQUITY</b>		<b>1,786,545</b>	

## Expenditures

Medicaid is the major expenditure of our budget. The 2004 results show an additional increase of our local share for Medicaid of \$5.2 million on top of a \$5.9 million increase in 2003. Our 2004 Medicaid share was \$63.2 million, not including the subsidy for the Residential Healthcare Facilities, which I will address in a moment.

The Personal Services for 2004 were \$112.5 million or an increase of \$4.6 million over 2003. Close behind that was the increase of \$4.4 million for our NYS Retirement costs to a total of \$10.8 million.

### Residential Healthcare Facilities

The major expenditure over revenue in our results for 2004, and 2003 and 2002, is for the County's Long-Term-Care facilities. In 2004, Albany County taxpayers have subsidized the Residential Healthcare Facilities (Albany County Nursing Home and the Ann Lee Home-Nursing Homes) by an additional \$13,000,000, on top of the 10% Medicaid share we are obligated to pay by NYS mandate. In 2003 that additional subsidy for the nursing homes was \$14.9 million and the 2002 subsidy was \$11.9 million.

In short, we have operated our Nursing Homes with a combined **deficit of over \$39 million in the past three years**, in addition to the "10% local share" of Medicaid for long-term-care. This additional subsidy is not sustainable, nor fair to our residents, employees or taxpayers.

New York State Department of Health Medicaid rates for our Nursing Homes are inadequate. We cannot continue to subsidize Long-Term-Care in our region to the tune of over \$39 million. Recently, over 30 nursing homes in the western part of New York State have begun legal proceedings challenging the adequacy of Medicaid reimbursement.

The County **should investigate the lawsuit to determine if it makes sense for us** to take a similar road for improving reimbursement, particularly in view of the huge subsidy for our Nursing Homes and our contractual relationship with the state on Medicaid funding, which is supposed to limit our share of the Long-Term-Care costs to 10%.

The belief that a new Nursing Home Facility would end our problems with Medicaid reimbursement shortfall in funding is based upon assumptions we will obtain an almost 100% occupancy in the new facility and that we will receive adequate reimbursement from New York State with a new facility. Ask our neighbors in Rensselaer County if there is adequate reimbursement for Medicaid beds in their new facility.

Albany County currently has a disproportionate share of Medicaid residents in our residential healthcare facilities for our region. We have approximately 88% Medicaid beds while the average statewide and in our County are closer to 75% Medicaid bed occupancy.

The size of our operating losses at the Nursing Homes, the disproportionate share of Medicaid beds we are providing and occupancy questions should give you concern about building a Nursing Home that contains 528 beds.

The more beds we provide, the more you will have to subsidize the theoretical 10% local share of the Medicaid costs for

Long-Term-Care. We also need to be realistic in our ability to compete in the current marketplace and recognize there is flat demand for beds and a growing number of alternatives to nursing home placement.

**Hopefully, the Legislature and the Executive will revisit the bed size of the new facility.**

<b><u>EXPENDITURES</u></b>			
<b><u>HIGHLIGHTS</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	
PERSONAL SERVICES	107,984,277	112,586,388	<b>4,602,111</b>
MMIS	58,001,879	63,209,182	<b>5,207,303</b>
FAMILY ASSISTANCE	29,120,553	28,442,664	<b>(677,889)</b>
SAFETY NET	9,809,213	10,261,957	<b>452,744</b>
JAIL	26,637,339	26,985,289	<b>347,950</b>
RETIREMENT	6,385,144	10,846,182	<b>4,461,038</b>
TRANSFER RESIDENTIAL HEALTH CARE	14,873,148	13,000,000	<b>(1,873,148)</b>
<b><u>TOTAL EXPENDITURES</u></b>			
GENERAL GOVERNMENT	28,778,479	29,018,927	<b>240,448</b>
EDUCATION	19,713,127	18,315,093	<b>(1,398,034)</b>
PUBLIC SAFETY	43,766,672	44,700,598	<b>933,926</b>
HEALTH	32,135,655	32,605,030	<b>469,375</b>
TRANSPORTATION	1,205,837	1,184,444	<b>(21,393)</b>
ECONOMIC ASSISTANCE & OPP	189,121,334	185,983,704	<b>(3,137,630)</b>
CULTURE & RECREATION	1,919,705	1,985,027	<b>65,322</b>
HOME & COMMUNITY SERVICES	1,698,192	1,344,334	<b>(353,858)</b>
EMPLOYEE BENEFITS	26,866,027	32,469,585	<b>5,603,558</b>
TRANSFERS	33,127,541	31,075,436	<b>(2,052,105)</b>

## Revenues

The major story on the revenues is the tremendous strength of the Sales & Use Tax. Sales Tax revenues for 2004 topped \$127 million for a growth of \$5 million over 2003. Albany County's gain also raises the amount of revenues collected by the Cities, Towns and Villages. We have again surpassed all upstate areas on Sales Tax growth and revenues as a percentage of our budget. This great strength does represent a potential weakness should the retail economy deteriorate.

Property Tax revenues were up by over \$5 million due to the increase in 2003. 2004's increase will be reflected in the 2005 results.

Federal Aid increased by \$2.4 million to \$64.3 million in 2004 over 2003.

Interest income increased by over \$500 thousand over 2003 to \$1.3 million in 2004. While Tobacco Settlement Revenues increased over 2003 by \$250 thousand dollars, this is significantly less than was anticipated when the Tobacco Settlement Agreement was signed.

State Aid declined by \$4.2 million to \$69.9 million in 2004 when compared to 2003.

Departmental, Inter-governmental and Miscellaneous revenues declined by \$2.5 million to \$54.5 million in 2004.

Intergovernmental transfer revenues declined by \$1 million, due to the renegotiation of the Medicaid Upper Payment Limit reimbursement for governmentally owned nursing homes several years ago, which eliminated this funding for the County.

The Civic Center revenues were down by \$511 thousand for a total of \$1.1 million in 2004 versus 2003.

2004 Off Track Betting revenues declined by \$425 thousand to \$1.4 million and will continue to be impacted by increased gambling opportunities elsewhere.

<u>HIGHLIGHTS:</u>	<u>REVENUE</u>		
	<u>2003</u>	<u>2004</u>	<u>DIFFERENCE</u>
SALES TAX	122,145,134	127,180,132	5,034,998
TOBACCO SETTLEMENT	4,455,050	4,704,598	249,548
INTEREST INCOME	799,570	1,337,947	538,377
OTB	1,829,471	1,404,086	(425,385)
IGT	2,314,725	1,312,976	(1,001,749)
CIVIC CENTER	1,613,997	1,102,889	(511,108)
<u>TOTAL REVENUE:</u>			
TAX ITEMS	174,259,926	184,360,311	10,100,385
DEPARTMENTAL, INTER-GOVERN-			
MENTAL, MISCELLANEOUS	57,076,920	54,510,519	(2,566,401)
STATE AID	74,194,203	69,990,811	(4,203,392)
FEDERAL AID	61,906,624	64,316,482	2,409,858
TRANSFERS	4,123,564	2,818,085	(1,305,479)

## Closing

2004 was a difficult year and the continued pressure of unfunded federal and state mandates will challenge Albany County well into the future.

While poverty continues to be the most pressing concern for Albany County, our problems with Medicaid and the underlying costs of healthcare is the single largest financial obligation we face. We have increased our property taxes by 83% in the past three years and that trend is unsustainable.

Capping the local share of Medicaid at 3% doesn't do much when we are subsidizing long-term-care costs by \$13 million per year at Albany County Nursing Home and the Ann Lee Home. The explosive rate of growth in Health care costs will swamp us through Medicaid increases and health insurance increases.

We proposed several potential remedies last year and remain committed to working with the Legislature and Executive to deal with these financial challenges.

On another front, Dr. Richard Adler's response in a Capital District Business Review article on Medicaid Reform this spring was absolutely breathtaking with possibilities. Among many proposals for reforming/fixing Medicaid, Dr. Richard Adler focused on the "diseases/problems covered under Medicaid are lifestyle disorders and, are, therefore, preventable." Dr. Adler's observation that the healthcare system essentially pays only when we are sick, ill, injured or diseased goes further to the point of real reform.

"Rather than spending money on things which do not work, the state should reward Medicaid participants for achieving

results...for far less than the cost of a coronary bypass operation...we can reward people for staying well and being free of risk factors.” (Dr. Adler CDBR) Dr. Adler’s observation about prevention, particularly in the area of Insulin Resistance and it’s impact can have tremendous impact on the rate of increase in healthcare costs if we are willing to take the lead.

Healthcare spending is focused today on treatment not prevention. The potential to cut cost increases by focusing on prevention as well as treatment holds real promise, if we dare to be innovators.

In closing, thank you for your patience tonight. We will have this presentation and additional information available on the County’s website in the near future.

God Bless you, God Bless Albany County and God Bless the United States of America.

Respectfully,

Michael F. Conners, II  
Albany County Comptroller