

5/28/2019 TESTIMONY OF ALBANY CITY TREASURER DARIUS
SHAHINFAR TO THE NEW YORK STATE LEGISLATURE ON THE NEW
YORK HEALTH ACT

Thank you Assemblymembers, thank you organizers, thank you to our City of Albany Assemblymembers, Pat Fahy and John McDonald, and especially thank you to Assemblyman Gottfried for continuing to push this boulder of single payer up the steps of the Capitol. You may have felt like Sisyphus for these past 22 years, and we may have some more Sisyphean years to come, but single payer health care is both politically and economically inevitable in my point of view, and it is your efforts and the efforts of those like you who will ultimately deliver a true, economical national health care system for all.

My name is Darius Shahinfar and I am the City Treasurer right here in the City of Albany. I speak here today to bring my perspective as the caretaker of local government accounts, and explain how single payer health care will affect local governments and most importantly property taxpayers in Albany and in New York State.

It is my conclusion that single payer health care is inevitable, and not just because of the heartbreaking stories we have heard here today, stories that will continue until everyone is covered by health insurance. It is inevitable because Single Payer healthcare makes economic sense for everyone, in large part because it will invariably cut our property taxes all throughout New York State.

For decades we have spoken about policy, and particularly health care policy, in terms of personal stories, the kinds of heartbreaking stories we have heard here today. But Single Payer health care is an issue that

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need not be discussed only, or even predominantly, in terms of the personal story.

My belief is that it is imperative to discuss and fully evaluate the economic ramifications of Single Payer, and to proclaim the simple truth that there is not a single act being considered by State Government that would do more to cut local property taxes than passing the New York Health Care bill into law.

The reason why is because of hidden health care costs. These hidden health care costs are present in every product, good or service in our economy. For example, depending on the automobile company, the estimates of the cost of Health care as a part of the total cost of a car manufactured in the US range anywhere from \$2,000-\$4,000, or \$1,000-\$3,000 more than one constructed in Canada where health care costs are lower because of single payer health care.

Similarly there is an enormous hidden cost of health care in our property taxes. The question for me as City Treasurer is how that hidden cost, that hidden tax affects the numbers for Albany, our City, County and school district. What one finds when the numbers are crunched is both astonishing and unsurprising. Our health care so-called "system" is bleeding local taxpayers dry.

In the City of Albany in 2015, the total sum of the property tax levy is \$57 million, and the health care costs of employee insurance, retiree insurance, consultants, workers' comp health care costs and buyouts for health insurance equate to approximately \$26 million. Additionally, our employees spend approximately \$2.4 million out of pocket, even

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with their coverage provided by their employer. This equates to about 15% of the City of Albany's entire budget (\$175 million) and is based on a total payroll of \$69 million.

The Albany School District, with a total tax levy of \$113 million, reports similar health care costs (\$25 million) and employee costs (\$2.5 million), equating to about 11% of the entire budget of \$222 million which includes a payroll of \$87 million.

Albany County, with a \$90 million total tax levy, reports \$47 million in health care costs on a \$123 million payroll. More significantly, it also pays \$69 million in local share for Medicaid for a total of \$116 million. When we include additional sums expended by the County for health care administration and direct care, more than 25% of the entire County budget is spent on health care.

In total, the three municipalities levy about \$260 million in property taxes and directly spend about \$167 million for employee health insurance and Medicaid. Individually, The City of Albany pays nearly half of its entire tax levy for health care, the School district about a fourth, and the County all of its property tax levy and more on health care.

To put this in terms of homeowners in Albany who are taxed at a rate of \$37 per \$1,000 of their home's value, we are paying an astonishing \$14 of that \$37 or 38% of our combined property tax bills on health care costs. For the owner of a \$150,000 home, with a current total tax bill of \$5,500 that is a hidden health care tax of about \$2,100.

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Now, what would an Albany homeowner's tax bill look like under the New York Health Act?

While the precise funding mechanism has yet to be determined, the outlines have been, both in this bill and the National Medicare Bill, HR 676. Using these models as a framework, the health care costs that the municipalities currently pay would be eliminated, as would all employee borne costs like co-pays and employee shares of insurance (except for the Medicare portion of FICA). Applying the Gottfried 80-20 model to the HR 626 total surcharge would yield a payroll surcharge of 6.24% for the employers and 1.56% for employees.

Based on the current city payroll, that would mean a charge of \$4.3 million for the City, saving taxpayers \$22 million dollars per year on health care costs, or nearly 40% of our entire tax levy. On the School District side (the portion that makes up 61% of all yearly property taxes paid by taxpayers in Albany), enactment of a similar payment mechanism at the school district would also result in about \$22 million per year in savings, or about 20% of its entire tax levy \$113 million.

The effect on Albany County would be even more dramatic because its health care costs include Medicaid spending, health care administration and even some direct care that would be eliminated or dramatically curtailed. The County will spend in 2015 about \$47 million on employee health costs, \$69 million in Medicaid (County share), plus the administrative costs. Application of the same surcharge to the County would be about \$5.5 million. This would eliminate over \$110 million in County spending which is \$21 million more than the entire County

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property tax levy. Given that our County property tax levy is \$90 million, a \$110+ million reduction in costs could conceivably end County property taxes in Albany County entirely, and perhaps provide an opportunity to reduce sales tax as well.

As a taxpaying homeowner and elected official in Albany, I would love for all of these savings to be immediately applied to property tax cuts. However, the reality in Albany, as it would be in many New York municipalities, is that not all of these savings could be immediately applied to cutting taxes because of a variety of variables such as local budget revenue gaps, disproportionate business property tax rates, pension amortization, varying qualities of municipal management, and others.

In Albany, the particular fiscal challenges we face result primarily from revenue deficits that are directly caused by the State. We suffer from: Outdated school aid formulas that shortchange Albany schools because our poverty rates are masked by pockets of wealth; the outdated AIM formula based on decades old economic modeling that provides $\frac{1}{2}$ to $\frac{1}{6}$ the per capita aid to Albany than it does to Buffalo, Rochester, Syracuse, Yonkers and Utica; and the 60% of our entire property value that is tax exempt, 33% of which is owned by the State.

Therefore, taking into account our revenue deficit at the City, I estimate that the passage of this bill will conservatively reduce our tax rates about 20% at the City and the School District and eliminate the County property tax in its entirety, resulting in a total property tax reduction of about \$10.50 per \$1000 of valuation (28% of our total tax bills), or

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about \$1050 per every \$100,000 of value of a home in Albany.

Furthermore, the more one's home is worth, the larger the tax cut would be. (A million dollar home would see \$10,500 in savings).

And while it is true that given current revenue deficits for Albany, fiscal prudence wouldn't dictate that all of the savings would immediately go to tax reduction, within a few years, localities like Albany would be able to balance books to the point where all savings could be applied to tax reductions (in Albany about \$1250 per \$100,000 of valuation).

And just to be clear, while I have focused on Albany for the purpose of this testimony, the effects of the passage of this bill would not be limited to Albany. No matter where you live in New York, one's property taxes would be similarly affected, to the point where, depending on several variables, many Counties would be able to consider suspending their share of property taxation.

Furthermore, while I have your collective ears, Albany's numbers that I have provided here today account for current revenue deficits that we have at the City. Therefore, if the State were to take additional action to both repair the outdated formulas and implement sustainable Payments in Lieu of Taxes, in ADDITION to enacting the Medicare for all bill, our property tax savings in Albany would increase from approximately 28% to anywhere from 40-70%. This also highlights that municipalities without structural revenue deficits like Albany's (such as many suburban municipalities), would receive greater and more immediate property tax reductions under the New York Health Act. In fact, the property tax savings would be so great to taxpayers, I suggest

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that the bill could easily be renamed the Massive Property Tax Cut for Homeowners bill.

I am an elected official myself, and no matter whether one holds federal, state or local office, we hear about the oppressive cost of property taxes. You all know as well as I that we are indeed taxing people, particularly seniors on fixed incomes, out of their homes. While I can't speak for all of you, I cannot wait to go door to door to my constituents and tell them that by enacting the New York Health Care Law, we significantly cut their property taxes and secured their health care at the same time.

By enacting this bill into law, you would implement a massive property tax reduction, larger than anything ever accomplished in New York State. And the more we talk about this bill and single payer health care as the way to achieve massive property tax reductions, I think we will find that the task before you and all of us who support single payer will not be so Sisyphean after all.