

Warren County Board of Supervisors

**WEDNESDAY AUGUST 14, 2024
BOARD WORKSHOP MEETING
10:00 A.M.**



- I. Workshop called to Order by Chair
- II. Pledge to the Flag
- III. Presentation of Employee of the Quarter Award
- IV. Discussion Items:
 1. Warren County Sales Tax
- V. Motion to Adjourn



Warren County Board of Supervisors Sales Tax Workshop

August 14, 2024

BACKGROUND



- New York has been collecting 7% sales tax in Warren County for over 50 years.
- Of the 7% sales tax collected in the county, the State keeps 4% and the County gets 3%.
- Warren County may not independently decide to increase sales tax above 7%. The County must submit a home rule request to ask the State Legislature to establish a new overall tax rate in Warren County and provide the increased percentage to the County.
- The Assembly and the Senate must each pass legislation supporting the increase.
- The Governor has final approval.



BACKGROUND (CONTINUED)

- Only four New York Counties have sales tax that is less than 8%.
 - Warren, Washington, and Saratoga Counties at 7% and Ontario at 7.5%.
 - Washington and Ontario County intend to increase their sales tax to 8%.
 - Saratoga County has shown no intent to do so at this time.
 - Seventeen NY Counties have sales tax percentages that exceed 8%. Erie is the highest at 8 ³/₄%.
 - The City of New York sales tax is 8 ⁷/₈%.
- In all of these counties, New York State keeps 4% of the sales tax and provides the additional amount above 4% to each of the respective counties.



DISTRIBUTION OF SALES TAX

- New York Statute provides a formula for distribution of the 3% collected sales taxes in Warren County after the City of Glens Falls exercised their statutory right to receive 1.5% of the 3% sales taxes collected within the City of Glens Falls.
- State statutes distribute the 3% of sales taxes collected in Warren County, as follows:
 - From the 3% of sales tax collected within the City of Glens Falls, the City receives 1.5% and the County receives 1.5% (50-50 split).
 - From the 3% of sales tax collected in Warren County and outside the City of Glens Falls, the County retains 1.5% (50%) and the remaining 1.5% (50%) is distributed to the towns and village based on real property assessed value in the respective municipality.
- On November 25, 2002, the County and City of Glens Falls entered into a written contract that was approved by the Commissioner of NYS Taxation which requires the County to pay an additional 2% from the County's county-wide 1.5% (50%) through February 2032.



QUESTION BEFORE THE BOARD

Should the Warren County Board of Supervisors submit a request to the New York State Legislature to increase the percentage of sales tax collected in Warren County to 4%?

The resulting overall sales tax in Warren County would total 8% instead of the current 7%.

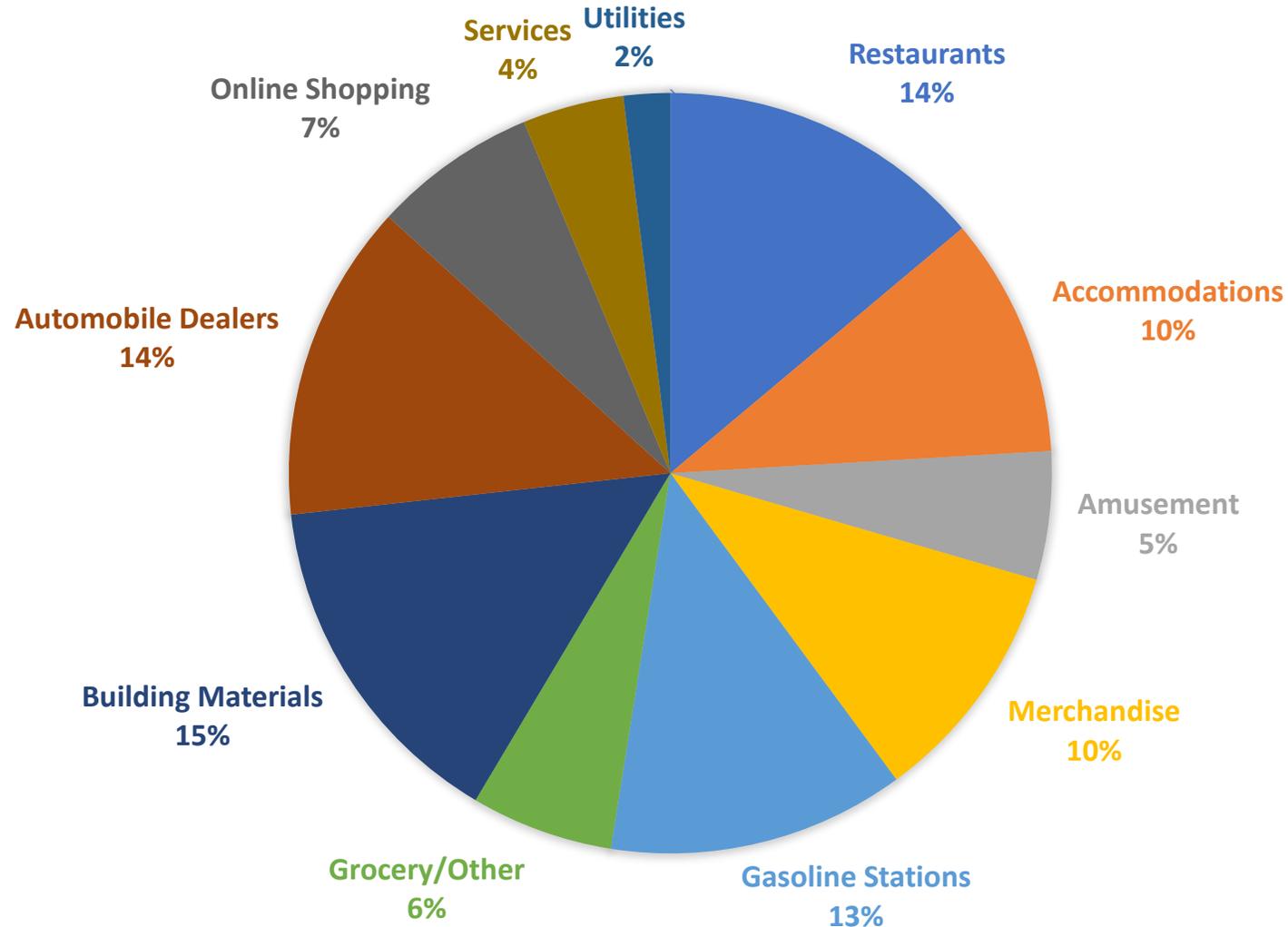
Additional sales tax revenue for the County would be about \$25 million

This would require a home rule request.

SOURCE OF COUNTY SALES TAX



\$2.5 BILLION TAXABLE SALES

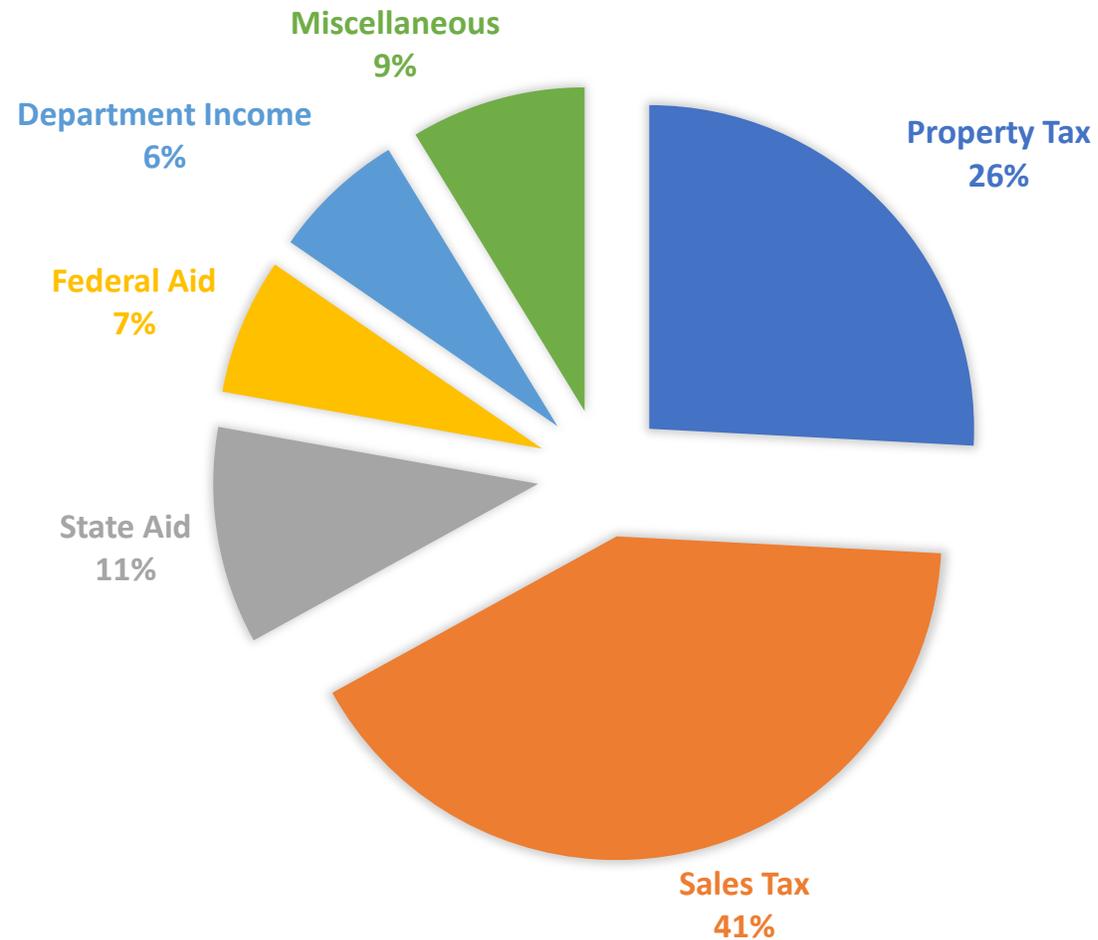


About 35% of sales tax is paid by visitors to the County

WARREN COUNTY BUDGET (2024)



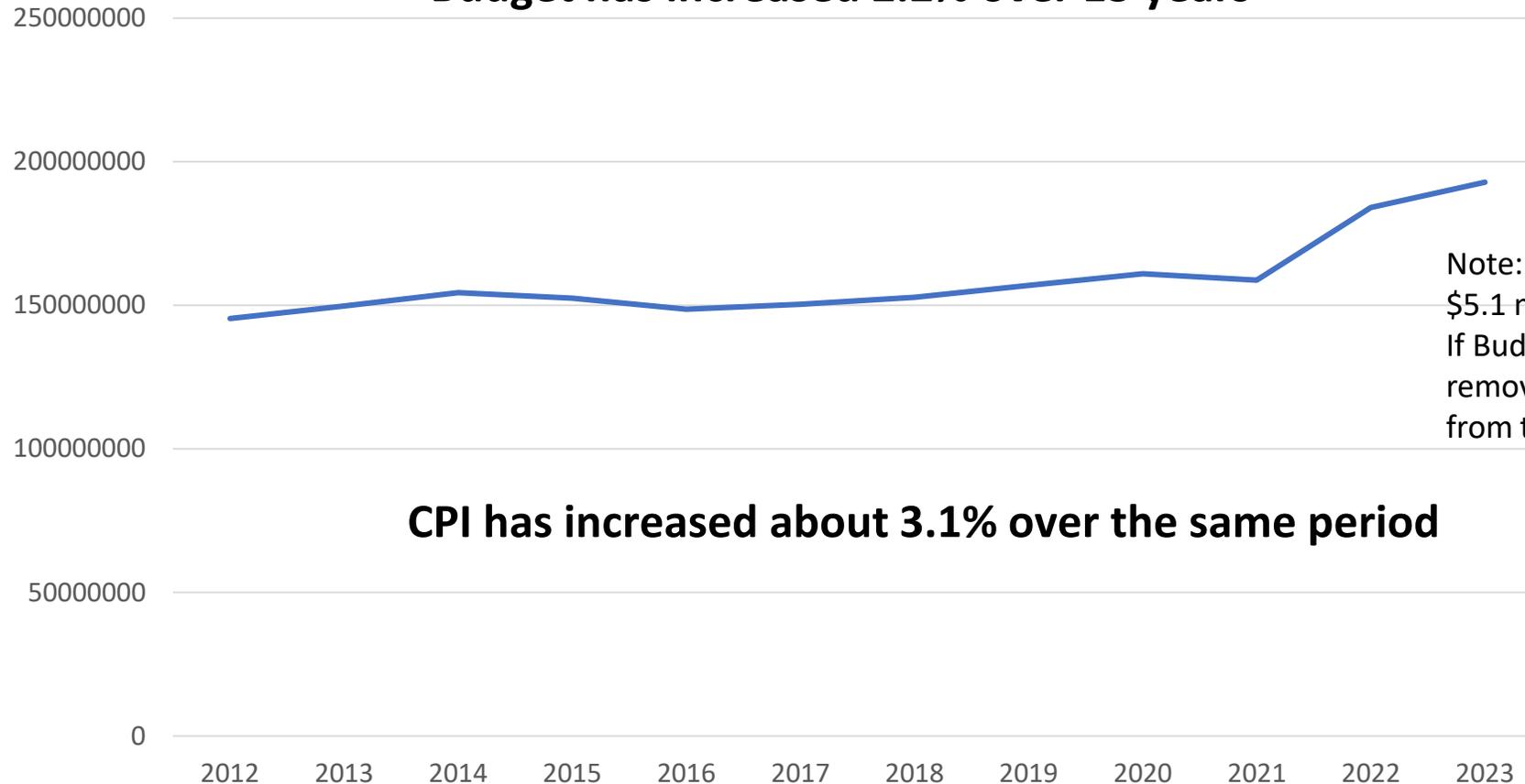
\$192,837,622



WARREN COUNTY BUDGET OVER TIME



Budget has increased 2.2% over 13 years



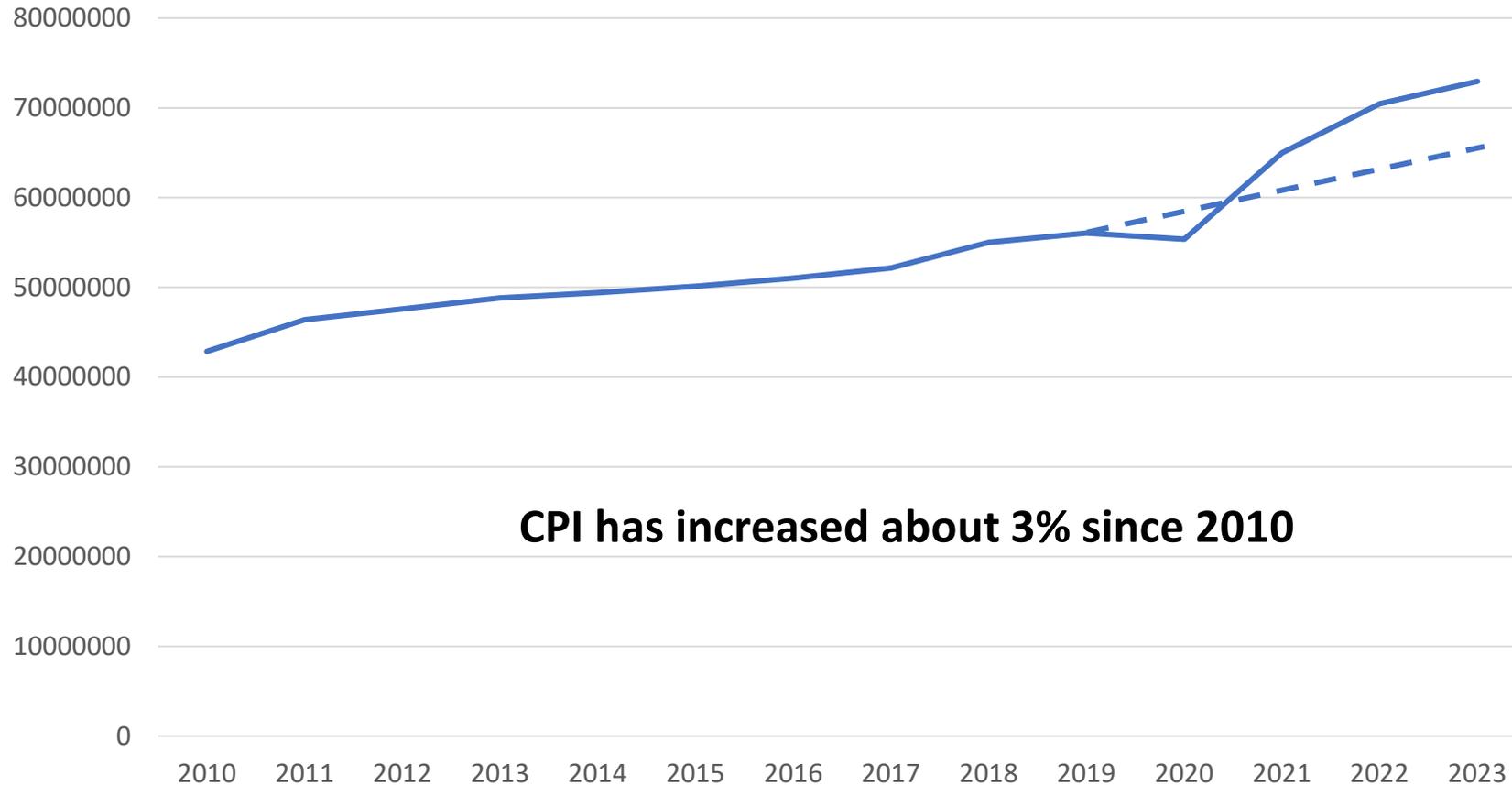
Note: 2024 would have been \$5.1 million higher
If Budget Officer had not removed those expenses from the budget

CPI has increased about 3.1% over the same period

YEARLY SALES TAX COLLECTIONS

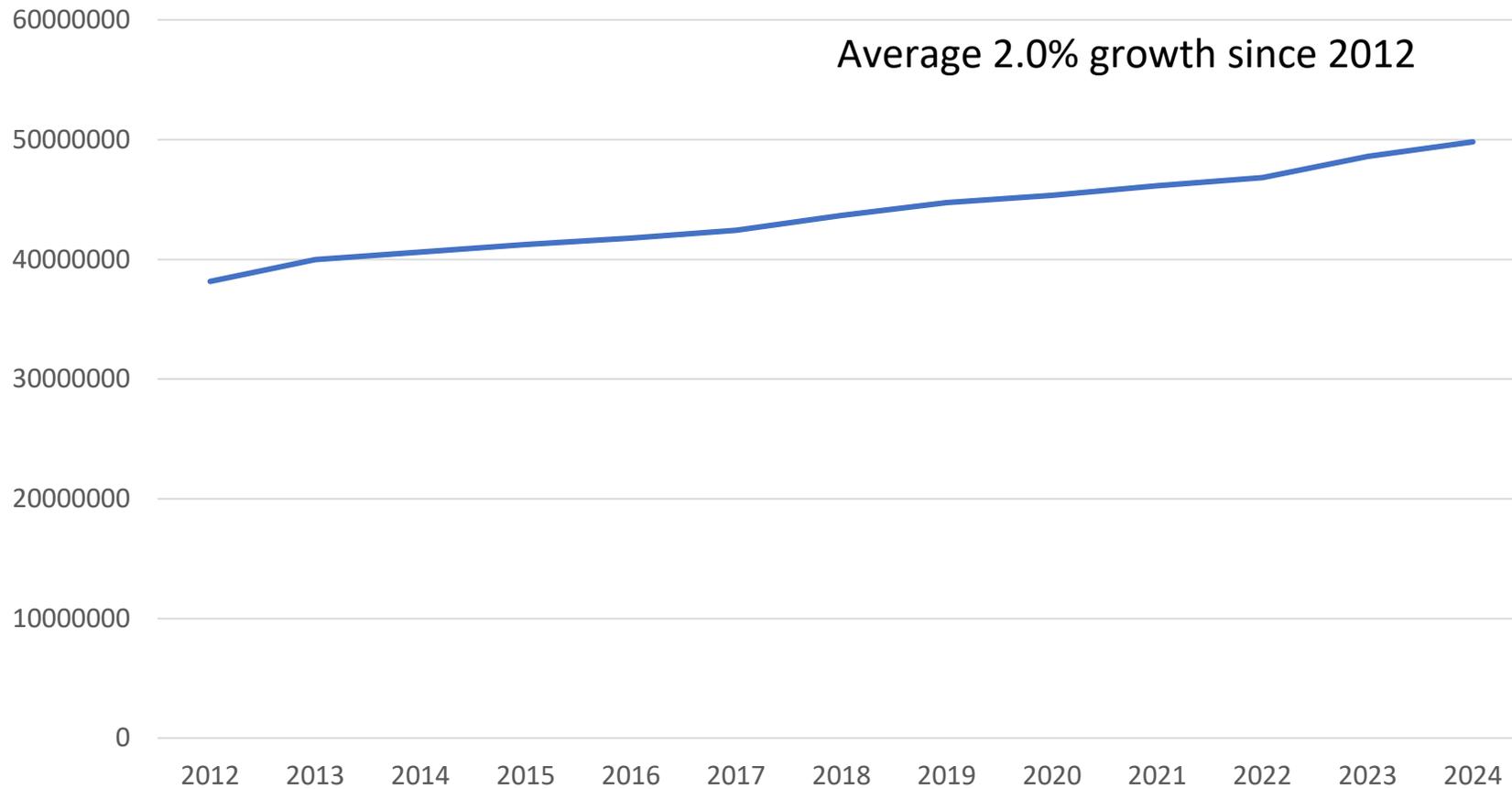


5% average sales tax growth since 2010



CPI has increased about 3% since 2010

YEARLY PROPERTY TAX COLLECTIONS





KEY BUDGET DRIVERS

- For the past three years, the County has drawn \$1.5 to 2.5 million from the General Fund unappropriated surplus to balance the budget and avoid exceeding the property tax cap.
- This year, the County withdrew \$7.7 million from the General Fund unappropriated surplus to fund necessary projects and complete road repairs that were the result of storms in 2023. Road projects continue to increase in cost based on rising cost of materials and increased regulations by DEC, APA, and the Army Corps of Engineers. **Road projects costs have gone up 53% since 2020.**
- State guidelines for General Fund unappropriated surplus are to keep enough in reserve to cover two months of County costs. That amount represents approximately \$32.5 million. Our reserve balance is currently about \$34.6 million or \$2.1 million over the minimum desired reserve amount. We could very well dip below that amount this year and perhaps again in 2025.
- The County will take out a \$15.4 million bond in the fall to fund additional road, culvert, and bridge repairs and purchase necessary road equipment. The bond will also fund an essential SUNY Adirondack electrical upgrade.
- As of this meeting, the CSEA collective bargaining agreement has not been passed and the Union that represents our corrections officers will be negotiated at year's end. County employee costs continue to go up by 3-5% each year. County employee pay represents 30% of the County budget or \$52 million. Given the challenging labor market, it is essential that the County be able to retain its essential staff.



UNFUNDED STATE MANDATES

MEDICAID: New York has the most expensive MEDICAID programs in the nation. Spending per recipient exceeds that of California and Texas combined. Each year the county pays **\$11 million** in MEDICAID costs that the state will not reimburse us for. That represents about 25% of our property tax budget.

WELFARE: New York has an extensive system of welfare benefits that exceeds most states. Each year the county pays **\$2.5 million** in welfare costs the state will not reimburse us for. That represents almost 5% of our property tax budget.

OTHER: State legislators mandate numerous other expenses including Pre-School Special Ed, Early Intervention services, probation, indigent defense, youth detention and the public pension system. Each year the county pays **\$11-12 million** in other mandated costs the state will not reimburse us for. This represents another 24% of our property tax budget.

TOTAL: The nine state mandated programs represent 15% of the County's overall budget. This totals **\$28 million** of annual expenses that counties in other states are generally reimbursed for by the county and the Federal Government. Beginning last year, NY State retained a large portion of Federal MEDICAID funding for State's use passing the resulting bill on to the Counties to pay.

56.3% of the property tax levy is needed just to cover NY State Mandates

ESSENTIAL COUNTY SERVICES



- Public Safety – Protection of People and Property – Road Patrol - Sheriff's Department
- Corrections - County Jail – Sheriff's Department
- Health Services – COVID / Children's Services / Immunizations / WIC / Rabies / Public Health
- Social Services – Child and Family Services / Adult Services / SNAP / TANF / HEAP / Medicaid
- Emergency Services - Training for Volunteers, emergency preparedness, disaster response
- Community Services – Mental Health
- Office for the Aging – EISEP / Home Delivered Meals / EPIC / HICAP / Countryside Adult Home
- Public Works - Road Services / Snow Removal / Engineering / Sewer / Highway / Traffic / Buildings & Grounds
- Workforce Development – help people navigate the labor landscape



ESSENTIAL COUNTY SERVICES

- Parks, Recreation, and Railroad – Charles Wood Park /40 mile railroad / 10 mile bikeway / Up Yonda Farm
- County Clerk - DMV / Records Management / Pistol Permits / Taxation / Recording
- Board of Elections – set up and manage all county elections
- District Attorney – Enforce criminal laws / prosecute criminals / public safety
- Public Defender – Defense of indigents
- Probation Office – Intervention and services / Adults / Juveniles
- Veteran’s Services Office – support to veterans and spouses and children of veterans
- Tourism – coordinates use of Occupancy Tax to support area tourism which is 33% of county economy
- Weights and Measures / Real Property Tax Services / Airport / Treasurer / Emergency Services / GIS / Planning / Building Code Enforcement/ Auditor
- Required staff support (County Attorney, HR, County Administrator, Clerk of the Board, Public Affairs) functions for 20 elected Supervisors and 850 county employees

COUNTY DPW RESPONSIBILITIES ALONE



- County Owned Property – 16 Buildings – 416,920 square feet
- County Owned Acreage – 2300 acres
- Roads – 250 miles
- Railroad – 40 miles
- Bridges – 58 Highway, 16 Railroad, 3 Bikeway
- Culverts – 1500 Highway, 150 Railroad
- Bikeway – 10 miles
- Canoe Launch Sites – 11

All require some level of maintenance or monitoring annually. Culvert repair alone has increased 28% since 2020. DEC and Army Corps of Engineers requirements turn some existing culverts into bridges



SALES TAX INCREASE TO 8%

We used the 2023 actual sales tax amount of \$72,937,907 increased by a growth factor of 2% to arrive at an amount of \$74,396,665. This amount was used to determine the value of a 1% increase.

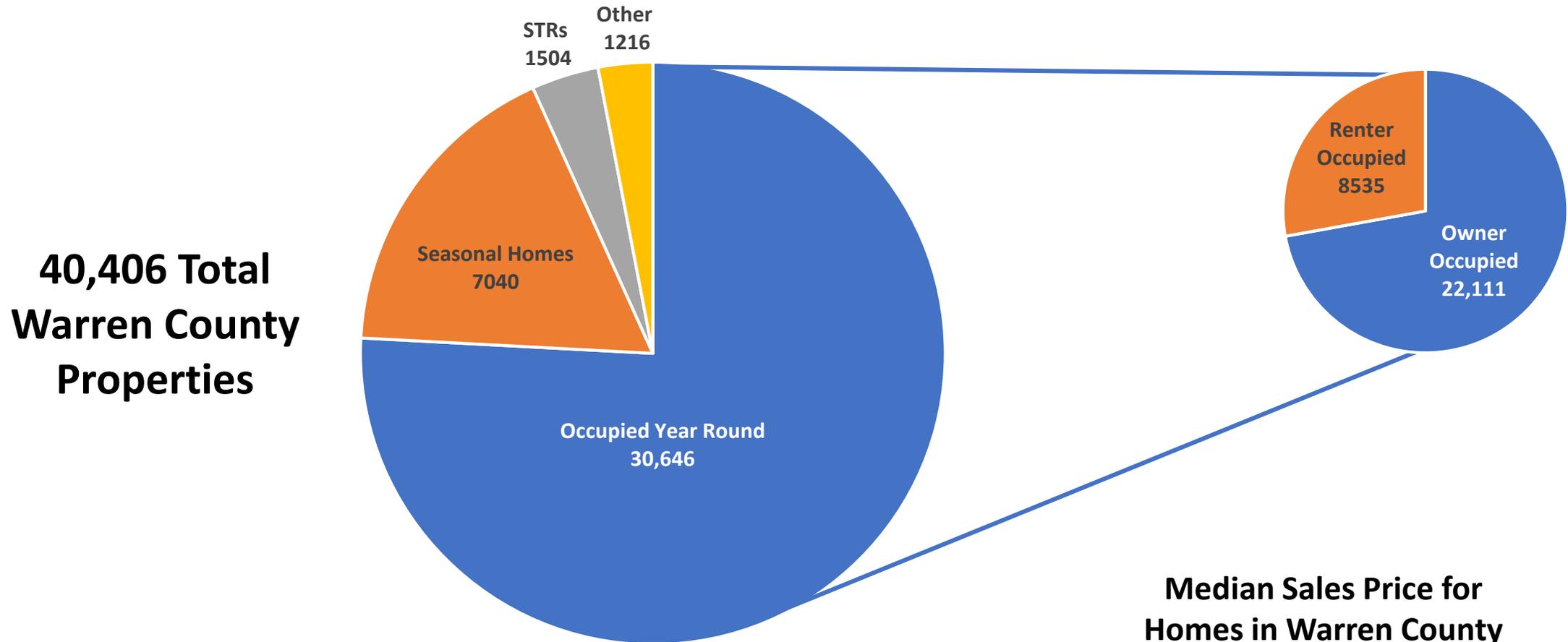
Amount of additional 1% increase	\$24,798,888
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The entire amount may be kept by the County or distributed according to a formula that is determined by the Board of Supervisors.



BREAK FOR QUESTIONS OR COMMENTS

WARREN COUNTY PROPERTIES



Median Sales Price for Homes in Warren County Has increased 33% since 2019



PROPERTY TAX OFFSET OPTIONS

What if we decided to offset a sales tax increase with a property tax reduction?

Current Warren County Equalized Full Value is \$15,171,456,411

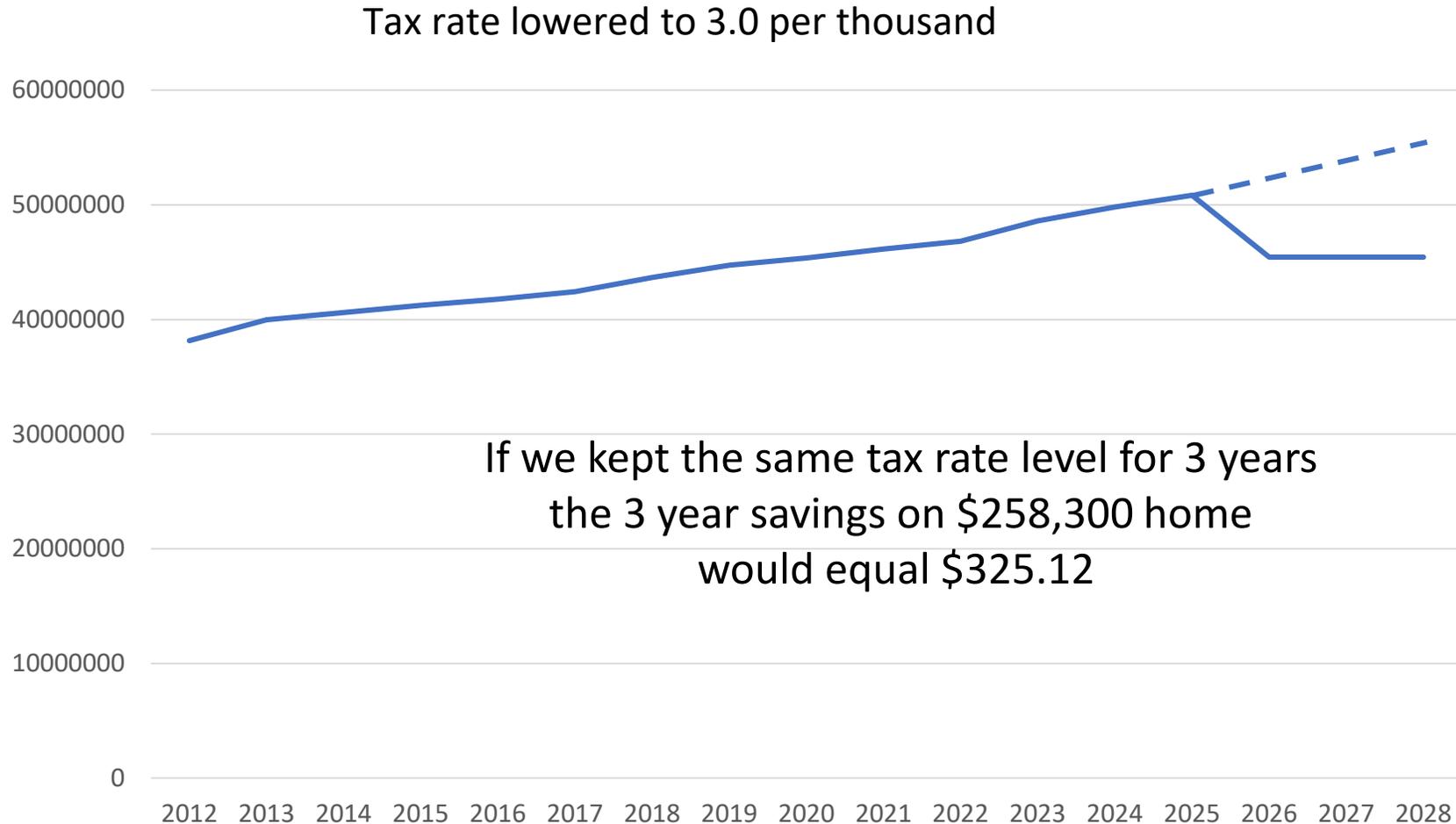
Warren County Tax Rate is 3.28 per thousand

Average Home of \$258,300 has a tax bill of \$848.

Reduced Tax Rate	2.85 per \$1000	3.00 per \$1000	\$3.07 per \$1000
New Tax Bill	\$ 736	\$ 774	\$ 792
Tax Savings	\$ 114	\$ 76	\$ 58

NOTE: Lowering the property tax levy resets the 2.0% cap to that lower level and will impact potential property tax increases in the future.

PROPERTY TAX REDUCTION





INCREASE PROPERTY TAXES INSTEAD

What if we needed to increase property taxes to get the additional \$24 million?

Current Warren County Equalized Full Value is \$15,171,456,411

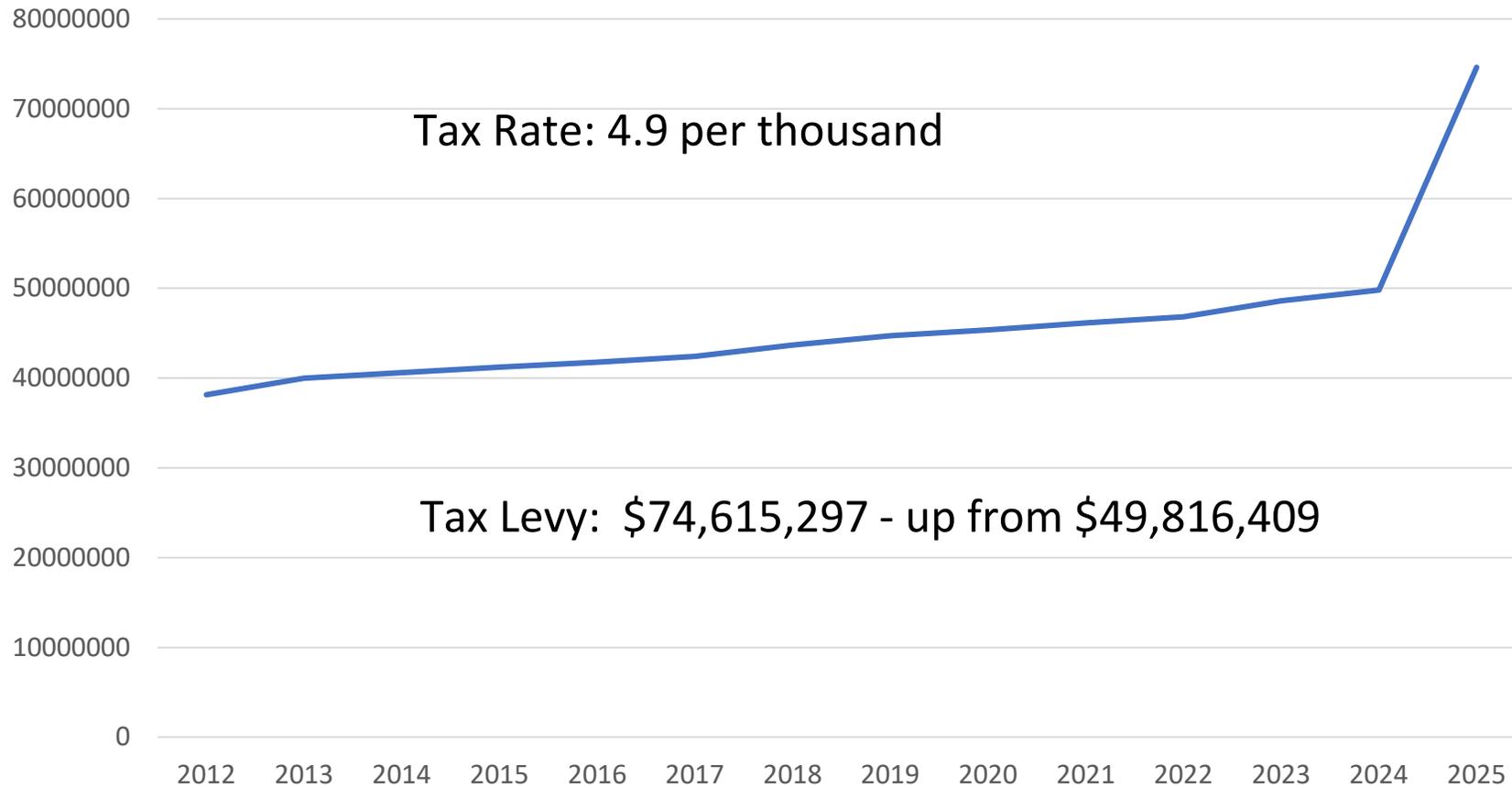
Tax Rate increased to 4.91 per thousand

Average Home of \$258,300 has a new tax bill of \$ 1271

Rate	4.91 per \$1000
New Tax Bill	\$ 1271
Tax Increase	\$ 423

In order to do this, we would have to bust the tax cap by 34%

PROPERTY TAX LEVY INCREASE IN 2025



AVERAGE MONTHLY EXPENSES (FAMILY OF 4)



<u>Expense</u>	<u>Monthly</u>	<u>Current</u>	<u>Future</u>	<u>Difference</u>	<u>Yearly</u>
Housing	\$3693	\$ 21	\$ 24	\$ 3	\$ 36
Transportation	\$1559	\$109	\$125	\$16	\$192
Insurance/Pensions/Inc Tax	\$1192	--	--	--	--
Groceries/Food	\$1088	--	--	--	--
Healthcare*/Personal Care	\$ 607	\$ 42	\$ 49	\$ 7	\$ 84
Entertainment	\$ 396	\$ 28	\$ 32	\$ 4	\$ 48
Clothing	\$ 209	\$ 15	\$ 17	\$ 2	\$ 24
Total				\$ 32	\$ 384

Major purchases like appliances, automobiles, electronics, furniture would increase the family tax bill.

Average cost of family of four meal at McDonalds is \$36.28

Source: Bureau of Labor Standards / Forbes, 2022

***Most healthcare items are not taxed**



PERCENT INCREASE OF SALES TAX

Increase in Sales Tax (based on average home expenses of \$1000)

At 7%: $\$1000 \times 7/100 = \70

At 8%: $\$1000 \times 8/100 = \80

Difference: $80 - 70 = \$10$

Percent Change:

$$\frac{(V2 - V1)}{|V1|} \times 100 = \text{Percent Change}$$

$$\frac{(\$80 - \$70)}{|\$70|} \times 100 = 14.2857\%$$



WHAT IF WE EXEMPT CLOTHING?

<u>Expense</u>	<u>Monthly</u>	<u>Current</u>	<u>Future</u>	<u>Difference</u>	<u>Yearly</u>
Housing	\$3693	\$ 21	\$ 24	\$ 3	\$ 36
Transportation	\$1559	\$109	\$125	\$16	\$192
Insurance/Pensions/Inc Tax	\$1192	--	--	--	--
Groceries/Food	\$1088	--	--	--	--
Healthcare*/Personal Care	\$ 607	\$ 42	\$ 49	\$ 7	\$ 84
Entertainment	\$ 396	\$ 28	\$ 32	\$ 4	\$ 48
Clothing/Footwear	\$ 209	--	--	--	--
Total				\$ 30	\$ 360

According to NY Publication 718-C we can include with our Home Rule request to make clothing and footwear items that costs less than \$110 exempt from the County portion of the sales tax. Currently 10 NY Counties do this. None of our neighboring Counties do.

Source: Bureau of Labor Standards, Forbes, 2022

* Most healthcare items are not taxed



DISCUSSION

NEXT STEPS WITH BOARD CONCURRENCE



- Conduct Town Halls (North County and Glens Falls/Queensbury) to discuss with residents and hear concerns.
- Bring Home Rule Request increasing sales tax to 4% (8% total) for vote at September Finance Committee.
- If passed by Finance, introduce Home Rule Request at October Board of Supervisors Meeting.
- Submit Request to our legislators for introduction into the State Legislature in 2025. It will need to pass both the Assembly and the Senate.
- Once Bills are prepared, the Board of Supervisors will vote again on the Home Rule request sometime in 2025.
- If signed by the Governor, the sales tax increase will take effect in 2026.



BACKUP SLIDES



SALES TAX DISTRIBUTION

- For sales tax collected within the City of Glens Falls, the City keeps half and the County keeps half.
- For sales tax collected outside the city limits, the County share is 50% and the other 50% is distributed to the towns and village according to their assessed value.
- **FACT:** This is the State Law distribution formula that goes into effect when a city pre-empts, as the City of Glens Falls did over 50 years ago.
- **NOTE:** This State Law distribution formula only applies to the 3% that is collected in Warren County. Remember, the State keeps 4% of the total 7% sales tax.
- This distribution formula does not apply to additional tax collected over the 3% that the County currently receives from the state. Distribution of the additional tax, if passed by the Legislature, would be at the discretion of the County.



SALES TAX/PROPERTY TAX RELATIONSHIP

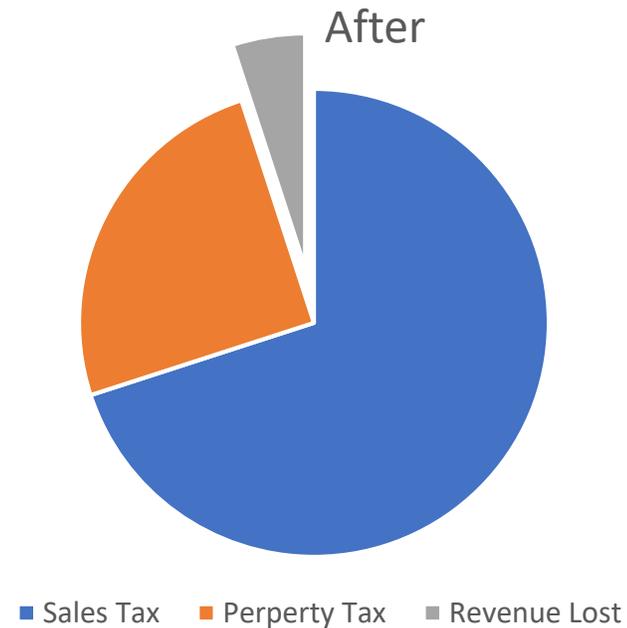
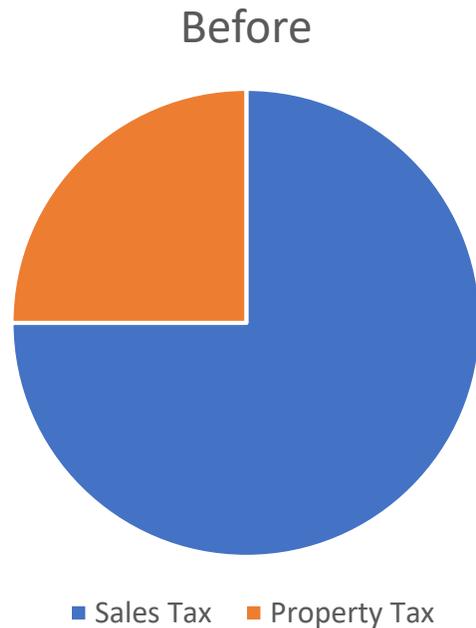
To keep the numbers simple, assume:

- County budget is \$150 million. \$100 million comes from sales tax and \$50 million comes from property tax.
- The County has one city. Out of the \$100 million in sales tax collection, \$20 million of the sales tax is collected within the city limits and \$80 million is collected outside the city limits.
- The city has decided to pre-empt. This means the city keeps \$10 million or half of the \$20 million collected in the city.



WHAT HAPPENS TO THE COUNTY BUDGET

The County just lost \$10 million in sales tax. To balance the budget, the County needs to raise an additional \$10 million in property tax.

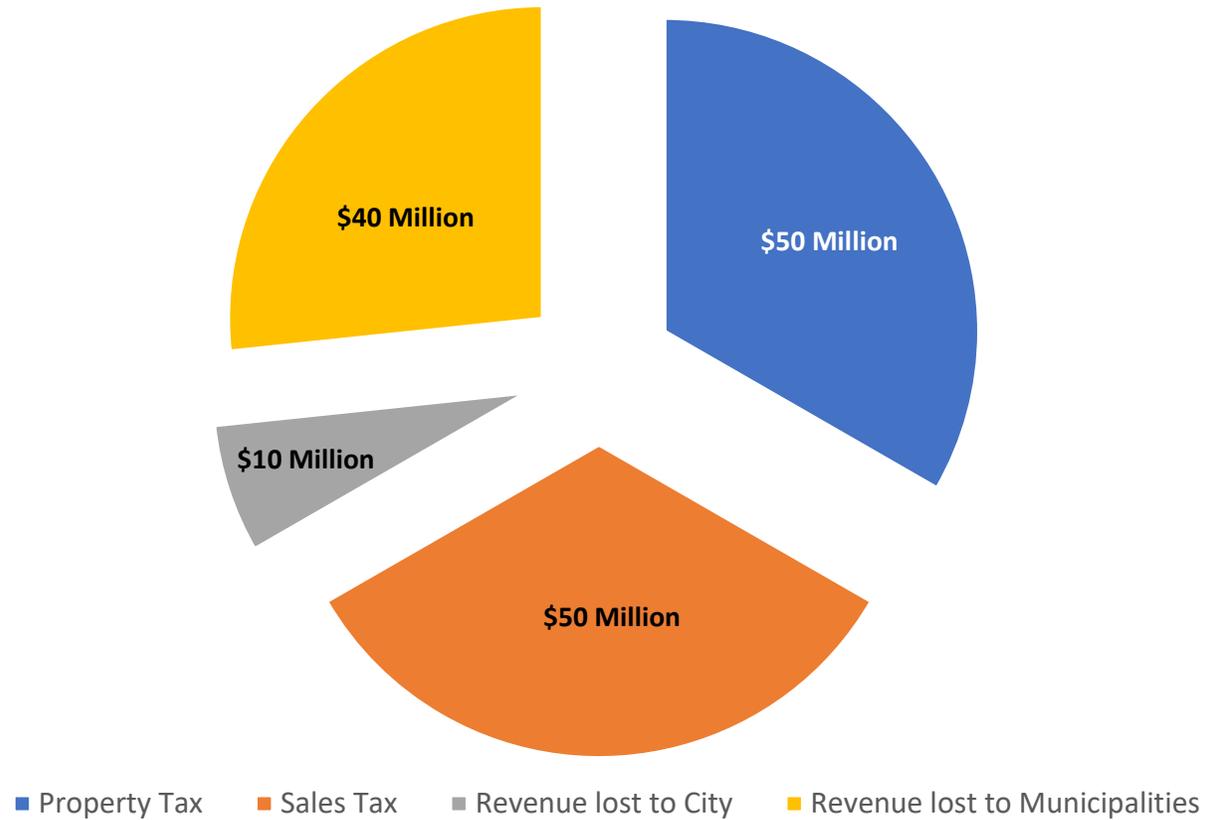




STATE LAW DISTRIBUTION FORMULA

- To maintain equity with the other municipalities, the County must distribute 50% of the revenue raised outside the city to the municipalities outside the city limits.
- RECAP: \$100 million in sales tax collected. \$20 million of that inside the city limits and \$80 million outside the city limits.
- Therefore: Out of the \$20 million, the city took \$10 million and the County kept \$10 million. Out of the \$80 million, the other municipalities get \$40 million and the County keeps \$40 million.

WHAT HAPPENS TO THE COUNTY BUDGET





STATE LAW DISTRIBUTION FORMULA

- The County lost \$40 million in sales tax. This means the County tax levy needs to increase by \$50 million
- County property taxes are levied on each municipality. The new \$50 million that needs to be levied countywide will be paid by taxpayers in all municipalities.
- Under the State Law Distribution Formula, all municipalities are getting the benefit (sales tax revenue) as their property taxpayers pay for it.
- When the County loses money through the distribution of sales tax to the municipalities, the County must make up for those losses by levying property taxes.

The Corollary: If we raise sales tax in the County, it makes sense that the property tax levy should decrease or at least remain the same for several years to help offset the increase in sales tax for our residents.