

## Written Testimony on the FY 2026–27 Executive Budget

### Submitted to the Senate Tax Hearing

Chair Krueger, Chair Pretlow, and Members of the Committee:

Thank you for the opportunity to submit testimony regarding tax policy and the hidden drivers of property tax pressure in New York State.

New York is facing an affordability crisis, and health care costs are a major and growing expense for households and businesses across the state. Exorbitant health care costs are not only a direct drain on the budgets of households and businesses, but they can also make life more expensive in other, often hidden, ways. More than 740,000 New Yorkers have medical debt, which can create obstacles to renting a home, qualifying for loans, or securing a job.<sup>1</sup> Taxpayers also foot the bill for health insurance for public employees—such as police officers, county executives, and teachers—and those exponentially growing costs drive local budget pressures and property tax increases. At the same time, public employees are paying increasingly more toward health care expenses and or watching their benefits erode.

The *New York Health Act* would put in place a universal, progressive tax-financed health system that would reduce the costs of health care in the state by eliminating profits and marketing costs of private insurers, and leveraging stronger administrative efficiency and negotiated pricing power. Most public discussions of single-payer healthcare focus on *who pays* — shifting health financing from private premiums and out-of-pocket costs to progressive tax revenues — and on the direct effects on household health care costs, which for the majority of New Yorkers would mean paying less overall for health care than under the current private insurance-driven system.

However, the NY Health Act also creates an important but hidden fiscal opportunity at the county, municipal, and school district level: **of significantly reducing spending on public employee health coverage** and, in states like New York, the county's required share of Medicaid financing. These expenditures are a major driver of local budgets and property tax pressures. Public employees represent a large share of the workforce in many counties, municipalities and school districts, with health benefits historically one of the fastest-growing components of compensation and local budgets. Analysis of budgets from a sample of counties, municipalities and school districts in NY suggests that local budget expenditures on **employee health benefits and the county Medicaid share together account for 10 to 20 percent of local budgets**. Replacing this cost

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<sup>1</sup> Karpman et al. (2023). Medical Debt in New York State and Its Unequal Burden across Communities. Washington, D.C.: The Urban Institute.

structure with a single-payer health system financed through a combination of federal money and progressive taxation would *drastically reduce* these expenditures from local budgets. Shifting these costs out of the local budgets of counties, municipalities and school districts and replacing it with a progressive payroll tax would create:

- **Reduced fiscal pressure on property tax levies**, because a large, recurring local obligation would be removed.
- **Greater budgetary flexibility for schools and municipalities**, freeing funds for other priorities or preventing service cuts and tax increases.
- **Reduced implicit “hidden tax” on residents and businesses** embedded in local property tax bills but tied to financing employment-based health benefits

The knock-on effects of reducing health care costs from local budgets could translate into lower property taxes for households and businesses, which could in turn be passed on to households in the form of lower rents and lower prices for NY consumers.

### **Why This Matters to Households and Local Economies**

A universal single-payer system financed by progressive tax revenues means:

- **For households**: No premiums, deductibles, copays, surprise bills, or medical debt, while possibly benefiting from reduced property taxes, lower consumer prices, and more vibrant local economies.
- **For local governments and taxpayers**: Gain immediate budgetary breathing room by shedding one of their largest and most inflation-sensitive expenses. These budgetary savings could be passed on to taxpayers in lower property or sales taxes.
- **For small businesses** (among the most disadvantaged actors in the current health financing system): No health insurance expenses or administrative burden of procuring health insurance for employees, and potentially reduced property taxes. Replacing unpredictable premium increases with a predictable, income- or payroll-based contribution would reduce financial volatility and remove a key barrier to entrepreneurship: the fear of losing health insurance when leaving a salaried job to start a business.
- **For large employers**: No longer negotiating, managing or administering health plans in addition to reducing the health insurance cost. Compensation decisions would become more transparent, because health benefits would not fluctuate with insurance markets. Large employers would be the largest potential beneficiaries of property tax reductions, which they could pass on to consumers in the form of lower prices.

Bottom line:

- What this means for taxes:
    - New York Health would replace highly volatile and rapidly rising health insurance premiums, deductibles, copayments and administrative costs.
    - AND, the amount taxpayers pay for health care for county/municipal/school employees could be **reduced by more than 80-90%** with the New York Health Act, or 10-20% of entire local budgets.

Additional savings that could be generated in the state budget by restructuring the financing for health care for state employees, dependents, and retirees are likely to be at least of the same order of magnitude.

  - This means a significant share of local budgets could be freed up for other priorities and/or property taxes could be reduced, which would have further knock-on effects on affordability as business could lower prices, landlords could lower rents, and local economies as a whole would be more flexible and entrepreneurial.
- What this means for health care:
    - Not only would all New Yorkers get the same health coverage as public employees while paying less, **everyone** (including public employees) would have:
      - More comprehensive coverage, including long-term care
      - No more premiums, copayments, deductibles, or medical debt
      - No more restrictive networks or denied claims

While the New York Health Act is framed as health care legislation, its impact extends well beyond health coverage. By reducing costs for counties, municipalities, and school districts, which could ease pressure on property taxes, it functions just as powerfully as a tax relief measure for residents across the state. In this period of economic strain for working families, the New York Health Act offers a dual benefit: comprehensive health care for every resident and measurable fiscal relief for households, local governments, and taxpayers.

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Respectfully Submitted,  
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