

A collaboration of municipalities, schools, academia, unions, and management to address the issues facing fiscally stressed communities across New York.

# LOCAL FISCAL STRESS

State Austerity Policy & Creative Local Response

Presented by Cornell University's Department of City and Regional Planning, the Community and Regional Development Institute, and the Fiscal Policy Institute

On December 9, 2014, a broad coalition of people convened to address the effects that current state policy has on the fiscal stress of municipalities and school districts, and ways that this stress can be addressed at the state and local level. **The following information will help guide discussion with elected representatives at all levels, and motivate government responses that will truly improve the economic and social conditions in our communities.** Research summarized here is based on in-depth reports by Cornell University which can be found online at [www.cardi.cornell.edu](http://www.cardi.cornell.edu) and at [www.mildredwarner.org/restructuring/fiscal-stress](http://www.mildredwarner.org/restructuring/fiscal-stress).

## CURRENT STATE POLICY ADDS TO FISCAL STRESS OF NY COMMUNITIES

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### UNEVEN DISTRIBUTION OF GOVERNMENT FUNCTIONS

Currently, **most government functions in New York State are handled by municipalities and school districts rather than the state.** Local governments (except NYC) can only raise property taxes and fees, and have been keeping their expenditures steady over the past 10 years when adjusted for inflation (Fig. 1).

### SIGNIFICANT DROP IN STATE AID TO LOCALITIES

State aid for counties and towns has dropped dramatically over the past 10 years, while aid to villages is flat (Fig. 2). School districts have also seen drops in state aid.

### INCOMPLETE STATE RESPONSE TO HIGH PROPERTY TAXES

To control property taxes, the state promised three policy changes. However, **a lack of mandate relief meant localities had to make ends meet with cuts and higher taxes,** hurting economic prospects (Fig. 3). [READ REPORT](#)

FIGURE 3 – State Policy Proposal vs. Fiscally Unstable Reality

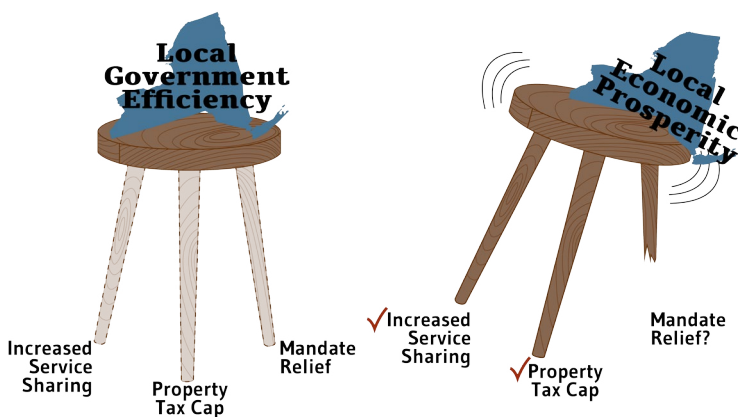


FIGURE 1 – Average Expenditures of NY Local Governments (2003-13) (in millions of constant US dollars, 2009 = 100)

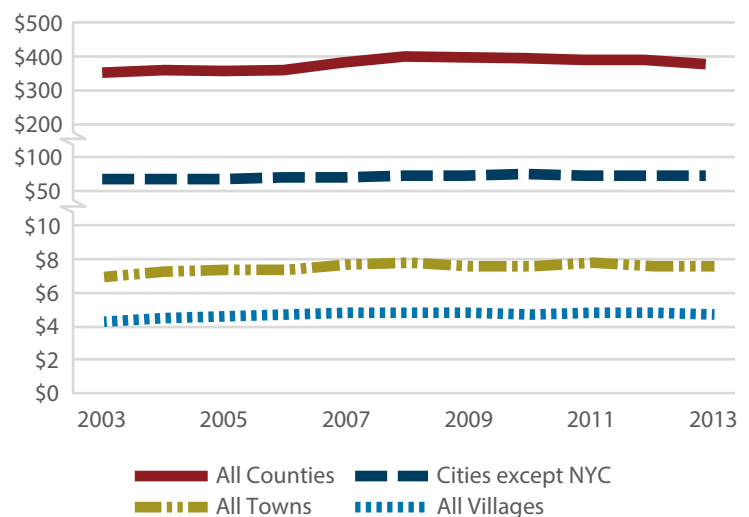
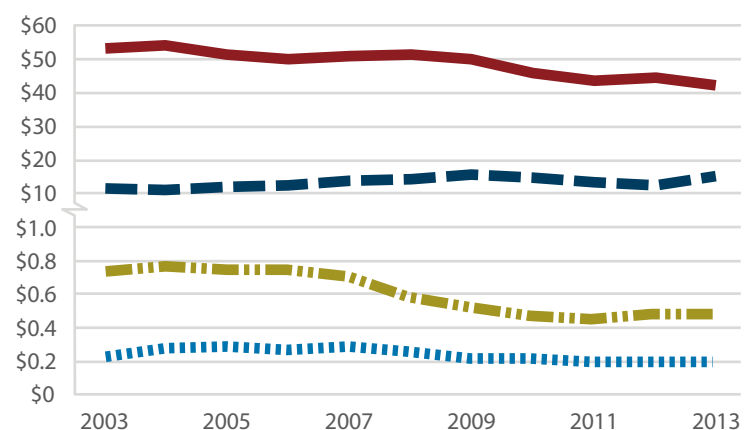


FIGURE 2 – Average State Aid Received by NY Local Governments (2003-13) (in millions of constant US dollars, 2009 = 100)



Data Source: NYS Comptroller Local Government Finance Data (2003-2013)



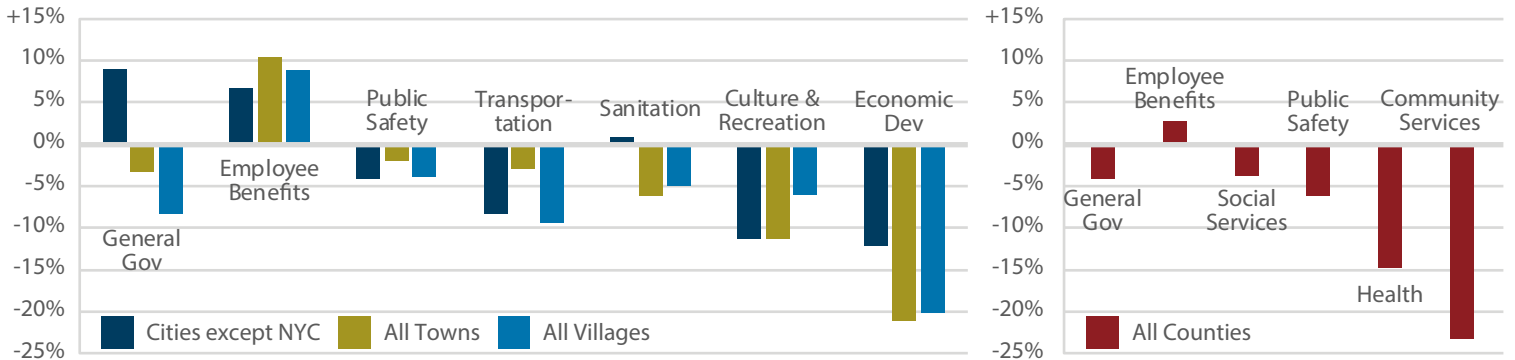
The Creative Responses to Fiscal Stress Project is directed by Mildred Warner of Cornell University's Department of City and Regional Planning, in collaboration with the Community and Regional Development Institute and with partial funding support from the US Department of Agriculture Hatch and Smith Lever grant programs and NYSUT. For more information about the project and complete reports, visit [www.mildredwarner.org/restructuring/fiscal-stress](http://www.mildredwarner.org/restructuring/fiscal-stress).

**SIGNIFICANT CUTS IN LOCAL GOVERNMENT SERVICES**

*READ FULL REPORT OR WATCH PRESENTATION*

Since the tax cap was enacted, **local governments throughout New York have made across-the-board cuts in essential services and deferred infrastructure maintenance in order to balance their budgets** (Fig. 4A). Counties, which have different mandated functions than cities, towns, and villages, also made significant cuts (Fig. 4B). Employee benefits, the only line item that is rising in all local governments, are mostly outside of local government control.

FIGURE 4A AND 4B – Percentage Change in Total Local Government Expenditures Since Property Tax Cap Enactment (2011-13, adjusted for inflation)

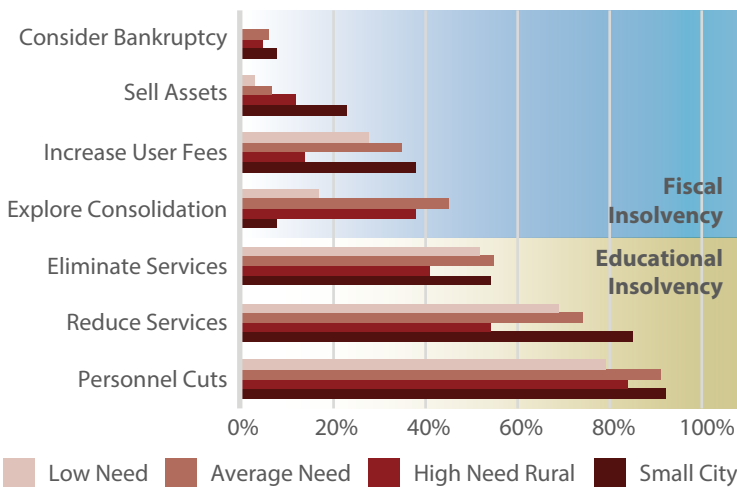


Data Source: Cornell analysis based on NYS Comptroller Local Government Finance Data (2011-2013)

**LOWERING QUALITY OF PUBLIC EDUCATION**

The tax cap has affected school districts most, which rely heavily on property tax revenue. To balance their budgets, **superintendents are considering actions which will save money but will reduce the quality of education that children will receive** (Fig. 5). *READ REPORT*

FIGURE 5 – Fiscal vs. Educational Insolvency: Superintendents' Responses

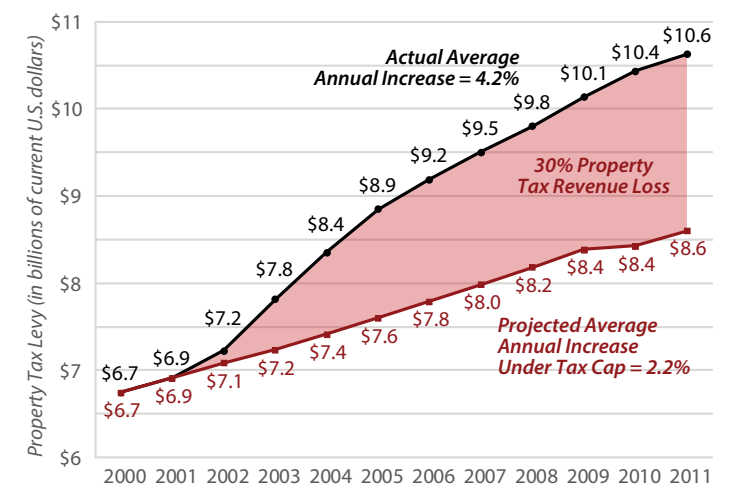


Data Source: Cornell University 2013 Survey of NYS School Superintendents

**DRASTIC FUNDING SHORTFALLS IN THE FUTURE**

**If the tax cap started in 2001, the total tax revenue loss would be over 30% over 10 years** (Fig. 6). Without increasing state aid, the tax cap will cause funding shortfalls in the future that are so drastic that services which citizens have relied on will be severely cut or eliminated.

FIGURE 6 – Projected Tax Levy Gap if Property Tax Cap Started in 2001

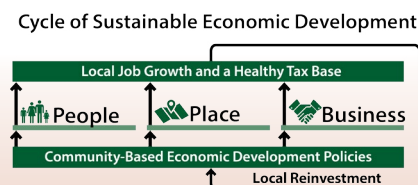


Data Source: Cornell analysis based on NYS Comptroller Local Government Finance Data (2001-2011)

**MOVING FORWARD**

FULL REPORTS AND MORE CAN BE FOUND AT [WWW.MILDREDWARNER.ORG/RESTRUCTURING/FISCAL-STRESS](http://WWW.MILDREDWARNER.ORG/RESTRUCTURING/FISCAL-STRESS) AND AT [WWW.CARDI.CORNELL.EDU](http://WWW.CARDI.CORNELL.EDU)

**ECONOMIC DEVELOPMENT THROUGH REINVESTMENT**



Encourage investing in existing community strengths instead of providing tax breaks with dubious effects.

**ADDITIONAL STRATEGIES**

- Engage in greater union-citizen-gov't cooperation
- Increase funding for local infrastructure projects
- Learn from successful service delivery strategies
- Use social indicators to measure community wellbeing
- Modify property tax cap with lessons from other states