Local Government

Local governments in New York State have come under tremendous pressure in recent years to cut expenses, with a real cost to the quality of life and economic well-being of communities around the state. Government employment just began to turn around between 2015 and 2016; both in New York City and in the rest of the state, there have been very moderate increases in government jobs. There is clearly a long way to go, however, as total local government employment outside of New York City fell by 55,100 between 2009 and 2016, an 8.2% decline, with 26,800 of these lost jobs in local school systems (-7.3%) and 28,300 of them in other local government positions (-9.2%).

Fig 19. State and Local Government Employment, Including Public Schools

CES EMPLOYMENT, NEW YORK 2009-2016

	2009	2016	% CHANGE
NEW YORK STATE			
State Government Employment	261,200	252,600	-3.3%
Local Government Employment (except schools)	619,200	589,700	-4.8%
Local Schools Employment	516,600	487,900	-5.6%
NEW YORK CITY			
State Government Employment	49,400	43,600	-11.7%
Local Government Employment (except schools)	312,200	311,000	-0.4%
Local Schools Employment	149,900	148,000	-1.3%
REST OF NEW YORK STATE			
State Government Employment	211,800	209,000	-1.3%
Local Government Employment (except schools)	307,000	278,700	-9.2%
Local Schools Employment	366,700	339,900	-7.3%

ALL STATE AND LOCAL GOVERNMENT EMPLOYMENT 2009-2016

New York State	New York City	Rest of New York State
66,800 JOBS ⬇	8,900 JOBS ⬇	57,900 JOBS ⬇

** CES numbers adjusted each year for the prior year*

Source: Fiscal Policy Institute analysis of NYS Dept. of Labor, Current Employment Statistics, revised to October 2017.

For decades now, New York State has put local governments in a terrible bind. First the state reduced its contribution to joint state/local expenditures, while it simultaneously reduced state Aid to Municipalities (AIM) funding, forcing localities either to increase property taxes or cut services. In 2012, local government options were further restricted by placing a cap on the amount that property taxes could be raised. Since the cap is the lesser of inflation or two percent growth—and inflation was fairly low from 2015 to 2017—the allowable property tax levy growth in 2017 was only 0.68 percent. This followed a comparably miniscule growth factor of 0.73 percent in 2016. As inflation has crept up the levy growth will be approximately 1.8 percent for 2018 according to the state comptroller.

The state's agreement to take over increases in Medicaid expenses was a positive step that helped ease the pressure on local government to some degree, but it was not enough to offset the longstanding erosion of other forms of state aid to localities. Rather than recognizing the unreasonable fiscal strain localities face and reversing it, New York State government has added to the burden of localities and restricted their options for dealing with it.

In a recent report from Cornell University, over 900 local governments were surveyed to determine the leading causes of their fiscal stress. At the very top of the list is stagnant state aid. Indeed, the report finds "the primary sources of this stress come from state level policy – shifting service and expenditure responsibilities to local government and restricting their ability to raise revenue and innovate in service delivery." Most respondents believed that in future years the property tax cap will significantly impair their jurisdiction's ability to meet their budgetary needs.[72]

According to the Cornell report, of the 21 individual services reported in the survey the most likely to be cut because of fiscal stress were road repair, police, youth recreation and public relations/online services. (see figure x below). Among the governments that provided the service to begin with, 28 percent reduced road repair because of fiscal stress, 10 percent reduced police staffing, and 11 percent reduced youth recreation.

72 A. Aldag, M.E. Warner, and Y. Kim, "What Causes Local Fiscal Stress? What Can Be Done About It?," available at http://cms.mildredwarner.org/p/268.

Fig 20. A Closer Look at Service Cut Backs

	Road Repair	Police	Youth Recreation	PR/Online Services
Service Provided	89%	34%	41%	53%
Cut back because of fiscal stress	28%	10%	11%	8%
Reduced frequency/hours	20%	35%	28%	35%
Reduced staff	20%	61%	42%	11%
Reduced budget	68%	49%	51%	46%
Eliminate service	1%	10%	12%	19%
Community Opposition Present	56%	64%	64%	52%

Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N=747

The need in many parts of the state is extremely serious, and localities in many cases simply cannot make up for the absence of adequate state aid. Metro areas in upstate New York stand out dramatically, as evidenced in a 2015 Century Foundation report (see the following figure). Looking at segregation and concentration of poverty in the 100 largest metropolitan areas of the United States, the report finds that Syracuse, Rochester, and Buffalo are among the top ten metro areas with the most concentrated poverty for both black and Hispanic residents. Nearly two-thirds of both African Americans and Latinos living in metro Syracuse reside in high-poverty neighborhoods, more than any other metro area of the United States. Metro Rochester ranks fourth in the country for African Americans living in high-poverty neighborhoods and sixth for Latinos; metro Buffalo is sixth for African Americans and ninth for Latinos.

Fig 21. New York Needs to Address the High Concentration of Black and Latino Poverty Upstate Metro Areas

10 METRO AREAS WITH HIGHEST CONCENTRATION OF POVERTY IN THE U.S.

Percent of African Americans Living in High-Poverty Neighborhoods

1.	**Syracuse, NY**	**65.2**
2.	Detroit, MI	57.6
3.	Toledo, OH	54.5
4.	**Rochester, NY**	**51.5**
5.	Fresno, CA	51.4
6.	**Buffalo, NY**	**46.4**
7.	Cleveland, OH	45.5
8.	Gary, IN	45.2
9.	Milwaukee, WI	44.8
10.	Louisville, KY	42.6

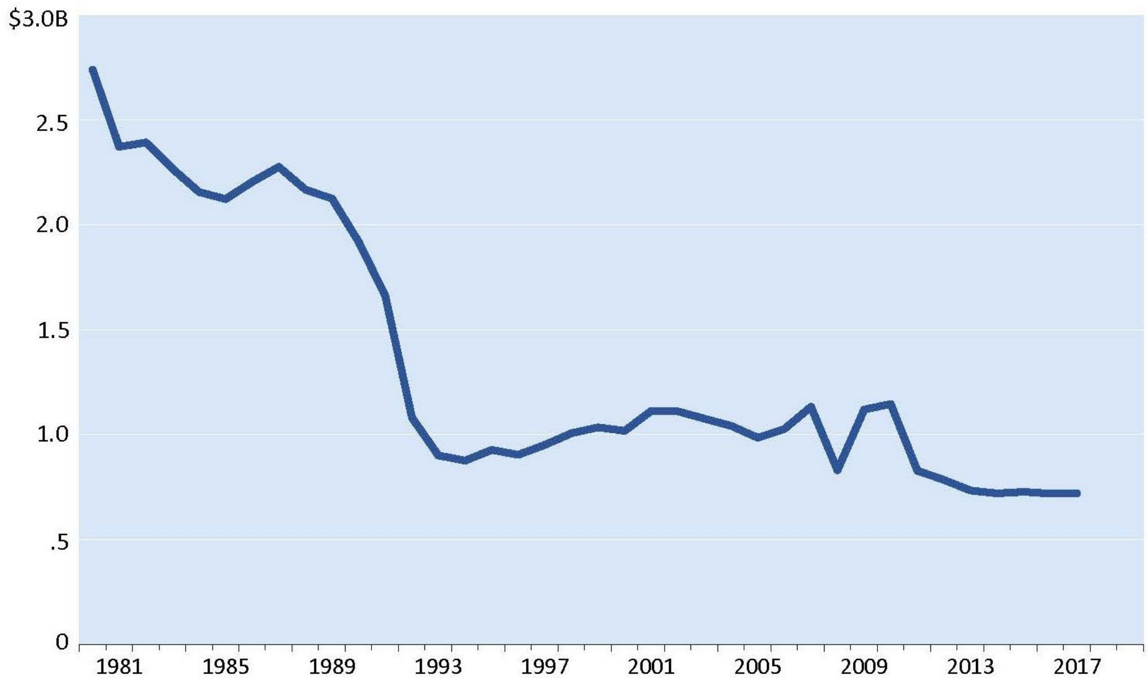
Percent of Hispanics Living in High-Poverty Neighborhoods

1.	**Syracuse, NY**	**62.2**
2.	Philadelphia, PA	54.0
3.	McAllen, TX	51.8
4.	Detroit, MI	51.1
5.	Springfield, MA	49.3
6.	**Rochester, NY**	**45.7**
7.	Milwaukee, WI	43.2
8.	Fresno, CA	43.0
9.	**Buffalo, NY**	**41.6**
10.	Cleveland, OH	36.9

Source: Paul A. Jargowsky, Architecture of Segregation, The Century Foundation, 2015.

Decreases in funding for general-purpose Aid to Municipalities only further exacerbates the difficulty localities have in addressing the challenges they face. AIM funding is flat in nominal terms, which means that it is down in inflation-adjusted terms by well over 75 percent since 1980. The state should dramatically increase AIM funding to make up for years of inadequate funding levels.

Fig 22. Aid and Incentives to Municipalities has fallen by almost three-fourths since 1980.



Note: Adjusted for inflation, 2016 dollars. New York City last received this aid in state fiscal year 2010.

The state's commitment to absorb increases in Medicaid spending starting in FY 2014 has saved counties outside of New York City roughly $204 million in FY 2017. That's welcome, but an even better approach would be to provide Medicaid funding relief in a way that recognizes the differences in ability to pay at the local level, and to increase the amount provided. As it stands, the Medicaid spending is not enough to offset the fiscal strain of other state actions. New York is one of the only states that forces local governments to contribute to Medicaid. If New York were to pick up the full local share of Medicaid for upstate counties, it would provide over $2 billion in needed mandate relief to counties and allow them to reduce property taxes rather than limit their growth.

MORE Shared Services

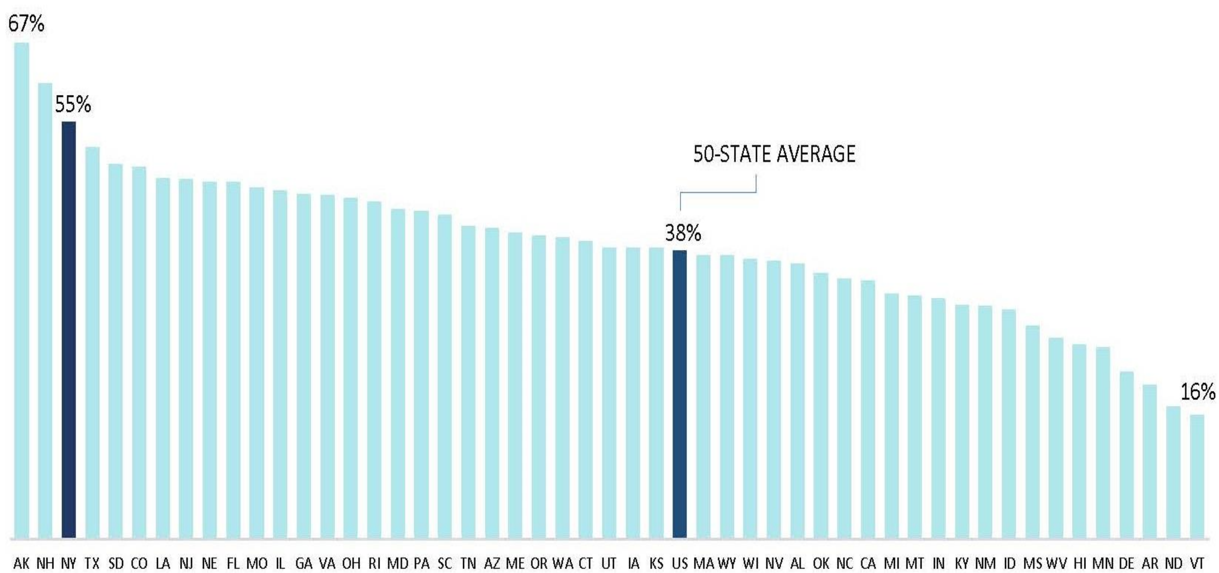
The FY 2019 Executive Budget continues the governor's misguided efforts to relieve the property tax burden through county-wide shared services plans/panels. The Executive Budget proposes a $225 million appropriation to fund a one-time savings match for actual and demonstrable savings in the first year of the plan's implementation. The Executive Budget proposal does not anticipate any disbursement from this appropriation until SFY 2019-20, as any savings achieved in 2018 will need to be certified. A county and all of the local governments within the county that took part in the plan must collectively apply for the matching funding and agree on the distribution and use of any matching funding before such funds are disbursed. The Executive Budget proposal seeks to make the panels established pursuant to the County-Wide Shared Services Initiative permanent and provides for optional participation by fire districts and fire protection districts.

Across the state, numerous local government services are provided through sharing arrangements, but a recent Cornell University study found that lower costs were reported only about half the time.[73] The academic literature on consolidation in the United States and internationally found mixed results on whether consolidation resulted in cost savings, concluding that "overall, the literature indicates that there is no compelling evidence for consolidation except as warranted on a case-by-case basis."[74] There are instances where consolidation may be a way to reduce costs, and there are often good arguments for consolidation, such as equity in services between different municipalities. But as a response to the fiscal strain the state has placed localities under, consolidation of services is hardly an adequate solution.

Reducing the High Burden New York State Places on Local Governments

Increasing fiscal pressures on New York's local governments come atop an already high burden the state asks localities to carry. Local governments in New York carry a portion of the shared state/local expenses that is nearly unparalleled in the rest of the country. Drawing on data from the governor's own economic and revenue analysis, the following figure shows the local share of combined state/local funding responsibilities is higher in New York State than in almost all states.

Fig 23. Localities in NY Carry Over 50% of State/Local Tax Burden; 3rd Highest in U.S.
LOCAL TAX REVENUES AS A SHARE OF ALL STATE AND LOCAL TAX REVENUES



Note: Tax burden per $100 personal income.
Source: Governor's FY 2019 Economic and Revenue Outlook, data for 2015.

73 G Homsy, B. Qian, Y. Wang and M. Warner, "Shared Services in New York State: A Reform that Works, Summary of Municipal Survey in NYS," (Ithaca, NY, Shared Services Project, Department of City and Regional Planning, Cornell University, 2013).

74 Mark Holzer et al, "Literature Review and Analysis Related to Municipal Government Consolidation," Rutgers School of Public Affairs and Administration, May 9, 2009.

Governor Cuomo misleadingly suggests that local governments can solve their fiscal dilemmas by finding substantial efficiencies. Many localities simply do not have the means to make up for the lack of sufficient state aid, and even those that might are constrained by the property tax cap. The governor relies heavily on the notion that consolidating government services could save enormous amounts of money, yet consolidations that make sense have mostly already happened. The political cost of further consolidation is sometimes very great, and the gains are often far less than the governor anticipates. While consolidation can be a useful tool, it is by no means a solution to the local fiscal crisis that is primarily a product of flawed state policies.

Many New Yorkers face an unmanageably high property tax burden, as the governor suggests. But, the property tax cap is the wrong solution to the problem. Increasing the state share of state/local responsibilities is a more sensible way to address the problem, together with targeted relief through an improved property tax circuit breaker to those truly straining under a tax burden (since STAR and the property tax rebate checks do not target property tax relief where it is needed most).

The property tax cap should be eliminated entirely. If, however, the property tax cap is not eliminated, it should, at a minimum, be amended. For planning purposes, a two percent minimum would work best, rather than tying it to inflation, significantly straining local finances and services. Because of low inflation, the property tax cap has been less than 1 percent for the past two years, but is now creeping up to 1.8 percent in the coming year, according to the state comptroller. The cap has resulted in the loss of millions of dollars in revenues to school districts and local governments at a time when they are already stretched thin.

The property tax cap currently contains exclusions for a small portion of local pension costs, PILOTs, BOCES capital costs, and settlement expenses arising from tort actions. Several additional exclusions would make just as much sense. Among them:

- emergency expenditures resulting from damage to municipal infrastructure or equipment;
- expenses related to capital improvements for local governments (similar to schools);
- infrastructure investments intended to enhance the economic development capacity of a community (such as improvements related to municipal water, sewer, or transportation); and
- costs related to increased enrollment in schools (especially in high-needs urban school districts).

Moreover, the property tax cap should be amended to allow for a simple majority override—in place of the current requirement of a 60 percent supermajority—as is the case with a similar cap in Massachusetts. This particularly makes sense with school districts, where the state should also not penalize districts if an override attempt fails.