The County Perspective

Municipal Restructuring Fund and the Municipal Consolidation and Efficiency Competition

Testimony
submitted by
the

New York State Association of Counties

To the

ASSEMBLY STANDING COMMITTEE ON LOCAL GOVERNMENTS AND ASSEMBLY STANDING COMMITTEE ON CITIES

Legislative Office Building
Roosevelt Hearing Room
Hearing Room C, 2nd Floor
Monday, January 23, 2017
LOB, Room 838

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Thank you Chairman Magnarelli and Chairman Benedetto for holding this hearing today. I have some brief remarks in regard to providing feedback to the Committee on Local Governments and the Committee on Cities about the Municipal Restructuring Fund, as well as the Municipal Consolidation Competition program from the county perspective, and will be available to answer any questions you may have.

First, let us set the record straight regarding how many taxing jurisdictions that are eligible for these programs. Despite claims that there are 10,500 local governments, there are a total of 1596 **general** purpose local governments, according to the State Comptroller. These local governments include 57 counties, 62 cities, 932 towns, and 545 villages.

There are also about 1600 **special** purpose local governments that include school and fire districts. Then there are several thousand special districts, of which, 95 percent are under the control of towns. These latter entities are created under the State Constitution or State Law. The creation of special districts come at the request of citizens in a local community and must be approved by the State Comptroller or the Legislature.

The specialization in government stems directly from the quote Governor Andrew Cuomo often cites from Franklin Delano Roosevelt (FDR) about property taxes being too high in the late 1920's. While some level of segregation in municipal service delivery was occurring before FDR, it was taken to another level thereafter, for better or worse.

In the post-World War II era, specialization in government, rather than general purpose, became the preferred model. This "specialization" required counties to administer and partially fund welfare, social services, and health programs. At the same time, the state specifically precluded towns, villages, and cities from providing the same services. In other cases, counties, towns, villages and cities were all allowed to provide certain services under state law including public safety, waste disposal, parks and transportation. In the final model, state authority was granted to create special-purpose local districts designed to perform a single function (schools districts, water, sewer, fire protection, lighting, etc.).

Municipal Restructuring Fund

Since 2011, the Governor and Legislature have authorized spending for an array of local government efficiency grant programs. As we reviewed these programs we want to call your attention to the amount of money authorized. By our estimate, we believe nearly $625 million has been authorized over 7 years, including the 2018 executive budget. There may even be more, but this is what we could find upon a quick review. For your reference, we included a chart below.

Local Government Efficiency Grant Programs ($ in Millions)								
	2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**Total**
Citizen' s Re-Organization Grants and Tax Credits	$35	$35	$35	$35	$35	$35	$35	**$245**
Local Govt. Efficiency Grants	$4	$4	$4	$4	$4	$4	$4	**$28**
Local Govt. Performance and Efficiency Grants	$40	$40	$40	$40	$40	$0	$0	**$200**
Subtotal	**$79**	**$79**	**$79**	**$79**	**$79**	**$39**	**$39**	**$473**
Bank Settlement Funds								
Municipal Restructuring Fund[1]					$150	$25	$0	**$25**
TOTAL	**$79**	**$79**	**$79**	**$79**	**$229**	**$64**	**$39**	**$498**

[1] Of the $150 Million of Muncipal Restructuring Fund appropriation, $125 million was reprogrammed for other purposes in 2016-17 and not available for efficency plans.

Of these appropriations over the years, we suspect only a small portion of this funding has been awarded and even less actually spent. In this regard, we ask for the Committee's assistance in determining how much of this authorized spending actually occurred. Perhaps there should be a reporting requirement from the Department of State to the State Legislature that will help us all understand if the program is working.

Some of this unaccounted for spending is likely due to the fact that these programs were new and had to be implemented, but we also believe the State has hindered the true potential of these programs. Some of the things that may be limiting more robust participating could be:

- Local governments are ineligible to apply for the $35 million annually available under the Citizen's Re-Organization program. This was nearly half of all funding available each year for 2011 through 2016. For 2017 and 2018, only 10 percent of this government consolidation/shared services funding is available to local governments.
    - We are not sure how much is actually spent against the $35 million each year but we suspect it is a very small percentage of the total authorized under the Citizen's Re-Organization Grants.
- Program parameters have been altered on a recurring basis as the focus, or goals, of the program have changed. Some programs were reformulated with new names and control of funds was shifted among state agencies (i.e., Department of State programs were reformulated and funding was rolled into the Financial Restructuring Board – essentially cutting counties off from this resource – mainly because the grant limits were too small for a typical county to make a substantial difference).

- Of the $150 million appropriated in the 2015-16 budget for the Municipal Restructuring Fund, $125 million was identified for reprogramming to other initiatives by the Governor, before local governments could even apply for the funding.
    - The SFY 2017 & 2018 budgets include no new funding for the Municipal Restructuring Fund grant program at all.

Some counties have applied for Municipal Restructuring Fund grants. Based on a survey we found that:

- Most counties found the staff at the Department of State (DOS) helpful in explaining the rules, and also helping them structure the county requests to their application process, etc.
- However, many felt that even with DOS help the rigidity of the structure was often difficult to work with and some decisions could take a long time to get approved. The time from grant award to actual contract was cited as long.
    - Some applications are delayed until the proposal can be put into the DOS format. We believe some counties would prefer to submit a proposal and be able to start the process, using it as a "working document" so grant funds and planning can get underway.
    - Others found the process so cumbersome they simply did not apply, or their projects did not meet the DOS criteria, even though they would save money for taxpayers.
    - Others found the process to be accommodating, but suggested that some automated process be implemented so an applying entity knows the plan they submitted was received.
- Also, for more complex applications, like wholesale countywide consolidation of a municipal function, the $50,000 limitation for the planning grant was insufficient to do the comprehensive, in-depth research and review necessary. Based on other initiatives counties have taken on their own (without state assistance) they have a good sense of how much funding is needed to thoroughly and objectively complete a feasibility study.
    - We would recommend that for larger projects more funding be allotted for the early planning stages.

Municipal Consolidation Competition

We are not sure how many counties may enter this competition, but the criteria that one of the participants must be willing to consider dissolution of the municipality narrows the potential pool of applicants significantly. Similarly, knowing the complexity of merging larger municipalities, many counties believe that you would have to be pretty far along in this "consolidation" process (possibly years into review and study) to even be in a position to apply for this competition.

Yet Another Shared Services Proposal

Under the Executive's 2017-18 State Budget proposal, the chief executive officer of each county must prepare a savings plan for shared services among the county, cities, towns and villages within such county. The chief executive officer of the county must seek consensus among the mayors and supervisors, then must submit the plan to the county legislative body. The plan must contain new recurring savings through actions "...such as, but not limited to, the elimination of duplicative services; shared services, such as joint purchasing, shared highway equipment, shared storage facilities, shared plowing services, energy and insurance purchasing cooperatives, reduction in back office administrative overhead and general coordination of services."

The plan must be submitted to the county legislature by August 1, 2017. The county legislature may make modifications to the plan. The plan is then to be finalized by September 15, 2017 and made public. At the upcoming November election the question of if the plan should be adopted will be voted on in a countywide referendum format. If the people vote no, the chief executive officer of each county must repeat this process in 2018 with a new plan.

While there is no State funding proposed to cover the costs associated with putting the property tax savings plan proposal together, including in the referenda on the ballet, or implementing the proposal, it represents one more state proposal in what has become an illusory series of shared service, consolidation, and dissolution programs coming out annually from the State Capitol.

In conclusion, we also recommend limiting the seemingly endless redesign and purpose of the program so we can actually thoroughly evaluate a grant program for its effectiveness. Let's tap the brakes, and prove out a model that is already in statute.