

## **Local government units in New York State: How much is too much?**

**By Dave Lucas, NYSAC Director of Finance and Intergovernmental Relations**

The Governor's proposed budget includes provisions that will require local governments in New York to consolidate or pursue more shared services in order for local taxpayers to receive tax rebate checks from the state. Counties continue to aggressively pursue government efficiency at a variety of levels, be it with a neighboring municipality or internally through consolidating departments, upgrading technology or privatizing (or eliminating altogether) operations. More efficient government operations (whether achieved through expanded shared services or internally) can lower per unit costs of delivering a specific service, enhance accessibility and ease of use for taxpayers, all while improving quality— a desired outcome for all. While important, there are significant limitations on the ability of shared services to appreciably change the bottom line for taxpayers.

There is less clarity on the necessity, popularity, efficiency or cost savings provided by government consolidation. Voters tend not to support local government consolidations for a variety of reasons – economic, legal, the desire for personalized service, and emotion. According to a report from the New York State Comptroller, only 38 villages in New York have dissolved since 1920. Nationwide studies have not shown much positive news on this front either.

The necessity for governmental consolidation is very subjective. How does one even know if there is “too much” local government? Some in New York have indicated there are more than 11,000 local governments in New York. The NYS Comptroller indicates there are 4,135 local governments in the State that have direct or indirect taxing and borrowing authority. The U.S. Census Bureau counts 3,453 local governments in New York. To get above 11,000 local governments in New York you would have to include nearly 7,000 special districts in New York, of which, 99 percent are administrative arms of town government and probably why many do not consider them separate local governments. These special districts often end up being nothing more than a line on a property tax bill – you have a streetlight in front of your house, so you pay a share of the cost of that street light. A house in a neighboring development does not have a street light, so they do not pay for a service they do not receive – special districts provide the opportunity to more efficiently delineate the costs of services to those that receive them.

Regardless, 4,135 by the Comptroller's count or 3,453 by the federal government count – either way, it sounds like a lot of local governments. Or is it? If one measures population against the number of local governments, it is harder to discern what is too much or not enough. According to the Census Bureau, North Dakota and South Dakota have a combined population of about 1.5 million people, yet they have 4,668 local governments. On a per person basis these two states have 17 times more governmental units than New York! If you rank each state by the number of local governments

compared against the state's population, New York would rank 35<sup>th</sup> nationally, a full 60 percent fewer government units per capita than the national average.

Clearly the focus on the *number* of local governments is not as important as how much each local government spends and why. New Yorkers often highlight how high their property taxes are compared to the rest of the nation, and for good reason. But we do not often ask why they are so high. Over the years, New York has built a system of taxation that relies too heavily on local taxes to support statewide programs. While property (and other) taxes are raised locally, they are often used to pay for state initiatives and programs, or to meet state policy goals. Satisfying these state initiatives and policy goals are usually not required of local governments in other parts of the country – this is what leads to New York's higher property tax burden. Counties use local tax dollars to pay for Medicaid, preschool special education, public assistance and other programs that local governments in other states do not pay for. New York also has unique labor and procurement laws that do not apply in most other states, but which increase the cost of local government.

Counties and local governments in New York work every day in the trenches providing direct services to residents, and they continue to streamline their operations as much as they can under state law and to the degree that local residents are willing to compromise local quality of life services. Attacking the root cause of high property taxes in New York requires the state to be an active partner in changing state laws and financing mechanisms that once and for all reverse the overreliance on using locally raised revenues to support statewide programs.

The first tenet of effective and efficient governing should always be the following: Decisions are always better when the full cost and consequence of the decision is borne by the entity making those decisions.