

# **The County Perspective**

## **Shared Services and Expanding State-Local Partnerships**

Testimony submitted by the

### **New York State Association of Counties**



to the

### **Senate Standing Committee on Local Governments**

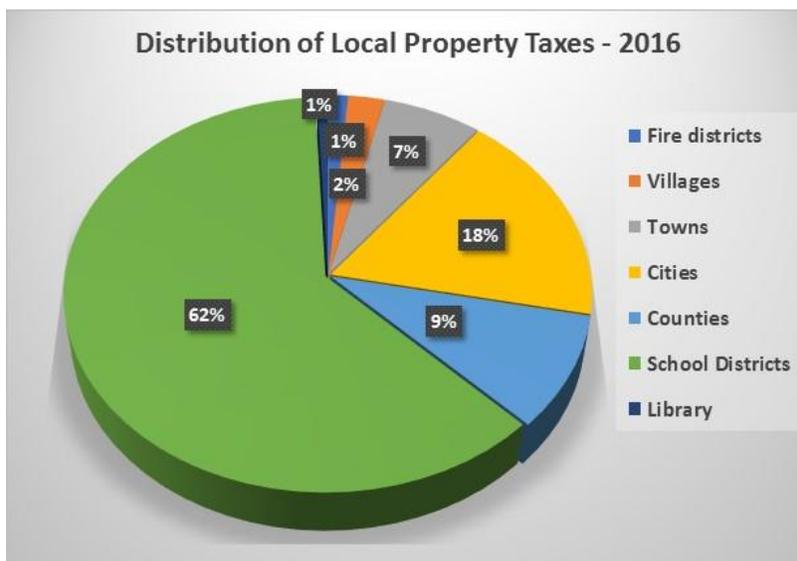
*Monday, February 12, 2018  
Legislative Office Building  
Van Buren Hearing Room  
Hearing Room A, 2<sup>nd</sup> Floor  
Albany*

Hon. MaryEllen Odell, NYSAC President  
Stephen J. Acquario, Executive Director

Thank you Chairwoman Kathy Marchione and members of the Senate Standing Committee on Local Government. I am Stephen J. Acquario, Executive Director of the New York State Association of Counties (NYSAC), and I appreciate the opportunity to testify today on the implementation of the County-Wide Shared Services Initiative (CWSSI) enacted last year as part of the 2017-18 New York State Budget.

In different parts of the state, there are a variety of shared services priorities and methods, and today's distinguished series of speakers should highlight many of those differences.

To start our testimony, we decided to first look at the property tax pie in New York State.



In 2016, school districts made up 62 percent of the average property tax bill; cities made up 18 percent; counties nine percent; towns seven percent; villages two percent; and other jurisdictions (such as fire and library districts) made up the remaining two percent.

County property taxes are driven, almost entirely, by unfunded state mandates. Nine state mandates consume 92 percent of the county property taxes collected statewide.

School property taxes are driven by a combination of state mandates, a lack of state funding (compared with the level of state funding in other states), and personnel costs.

City, town, and village property taxes are driven by a lack of state assistance and other restrictive state policies.

This is the context in which the New York State Assembly and Senate have, for the past couple of decades, attempted to enact statewide laws to control or curtail property tax increases at the local level. You created the STAR school tax relief program in the 1990s. Then, in 2011, you enacted a property tax cap that caps our levies at two percent (or the

rate of inflation), with some modifications for growth and pension costs. In 2014, you passed and the Governor enacted the property tax freeze rebate program that required all local governments and schools to submit government efficiency plans that were to achieve savings in Fiscal Years 2017, 2018, and 2019. In between the enactment of these laws, the state instituted a series of ever-changing incentive grant programs designed to encourage local governments to consolidate, share services, or develop other innovative local programs.

At the same time, lawmakers and policy makers in Albany are not shy about shifting new costs or adding new requirements with which counties and local governments must comply. In fact, the 2017-18 State Budget raised district attorney salaries that must be paid by counties with no state reimbursement. The State also imposed the implementation of Raise the Age on counties and linked adherence to the state property tax cap as an eligibility requirement for full state reimbursement of the costs incurred to implement the new state mandate. Any state-mandated increase to local government services or salaries, as a matter of equity and fairness, should be met by the State.

Last year, you enacted the County-Wide Shared Services Initiative, which required county leaders to convene municipal leaders to develop a shared services plan that would save property tax dollars, and that is the program that we are here to discuss today.

Our testimony today focuses on the county role in the County-wide Shared Services Initiative process (Section I), the local reaction to the panels (Section II), the results of our efforts (Section III), and an analysis of the success of the initiative (Section IV), with recommendations for how to achieve greater property tax savings (Section V).

## **I. County Role in the Process of Developing a Shared Services Plan**

The statute that enacted the CWSSI (Part BBB of Chapter 59 of the Laws of 2017) required the Chief Executive Officer (CEO) of each county to convene and chair a shared services panel, work with the county legislative body, consult local collective bargaining units, meet deadlines, and arrange a minimum of three public hearings to engage community stakeholders and the public.

County CEOs were responsible for conducting a public presentation the plan, certifying the projected savings, and submitting the plan to the NYS Division of Budget.

The county CEO was either the county executive, manager, administrator, or chairman of the board, depending on the administrative structure of the county.

The administrative responsibilities associated with this new law were substantial and added to the considerable workload of our county leaders. It is worth noting here that no clerical support or administrative funding was made available by the State for carrying out this Initiative. Therefore, all additional costs, time, and resources were borne by each respective county and their taxpayers.

Some counties hired an additional staff member, some contracted with a research agency or consulting firm (CGR, Rockefeller Institute, The Benjamin Center), and most relied on existing staff members to convene the panels and coordinate the process, while also completing their routine operational activities, including developing county budgets, since this was the time of year when that planning takes place.

The Department of State (DOS), Local Government Division, was charged with providing guidance to help local governments comply with the law. NYSAC worked closely with DOS during the summer and fall to help clarify issues of concern or confusion that were raised by county members.

### *Responsibilities of the Panel*

The CWSSI required that the panel convened by the county CEO consist of mayors of every city and village within the county, as well as supervisors of every town. Panel members were required to participate in the development of the plan and vote on it. The county CEO could also invite optional panel members to participate, specifically one representative from the governing body of any school district, Boards of Cooperative Educational Services (BOCES), and special improvement district in the county. Optional members could participate in the development of the plan and vote, or they could decline the offer to serve on the panel. Notably, fire districts, libraries, business improvement districts, and other local government jurisdictions not expressly included in the statute were unable to participate on the panel, even though their activities contribute to the property tax burden imposed on New York State residents.

### *Process of Developing Proposals*

Shared services proposals could be between and/or among the county, cities, towns, and villages within the county, as well as any participating school districts, BOCES, and special improvement districts. A panel member could opt out of any action that would affect their unit of local government.

Though the plans could and did include shared services and efficiencies that will take longer than a year to implement, only proposals implemented within the subsequent calendar year (January 1, 2018 to December 31, 2018 for plans submitted in 2017) are eligible for a one-time state match of the net savings. Proposals implemented in the fourth quarter of the year in which the plan was submitted are also ineligible for the one-time match, as are shared services untaken in partnership with a public authority or other entity that was not a core or optional panel member.

## **II. Local Reaction to the Initiative**

### *Local Government Reaction*

Though the CWSSI did succeed in forcing a dialogue between local governments in counties across the state, not all local leaders were willing participants. Additionally, the CWSSI failed to acknowledge that local governments have long performed shared services on their own initiative and that another recent State initiative – the property tax

freeze rebate program enacted in 2014 – already required local governments to identify and submit efficiencies. By and large, the low-hanging fruit that the CWSSI incentivized counties to pursue – by way of the short timeframe and the one-time match for proposals that could be implemented in a single calendar year – had already been advanced prior to this initiative.

*Public Reaction*

The public showed little interest in the plans, as demonstrated by the small public turnout at most county-wide shared service panel public hearings. Several public hearings were not attended by a single member of the public.

**III. Results of the Initiative**

*2017 Participation*

Of the 57 counties in New York State, 34 submitted taxpayer savings plans for the CWSSI in 2017. The other 23 counties are expected to develop their plans in 2018, following the same deadlines set for 2017 submissions. Nine of the 34 counties included school districts and/or BOCES in the process.

*Proposals and Savings*

The shared services plans included a total of 389 proposals. Collectively, these proposals are projected to save \$208 million in 2018, \$75 million in 2019, and \$76.1 million in 2020. However, it should be noted that \$128 million of the projected savings come from a single proposal to consolidate wastewater treatment services between Long Beach and Nassau County. Because this project will take longer than the 2018 calendar year to implement, little savings will be eligible for state matching funds. And, if their project is not complete in 2018, the county will not see the matching funds.

When Nassau County’s savings is subtracted, the other 33 CWSS plans generated an estimated \$80 million in savings for 2017, for an average of \$2.4 million per plan. On the low end, Wyoming County logged in an estimated savings of \$1,400 for 2018. On the high end, outside of Nassau County, the Broome County CWSS plan estimated \$20 million in savings.

The median savings estimate was \$1.1 million per county.

The proposed projects fit into twelve main categories. The chart below provides a sample of the wide-ranging proposals and their projected savings.

Category	Number of Projects	2018 Projected Savings
<b>Public Health and Insurance</b> (e.g. health insurance consortia, pharmaceutical prescription programs)	25	\$14,957,388.00
<b>Emergency Services</b> (e.g. consolidation of emergency communications, fire and ambulance services, dispatch operations)	25	\$21,642,225.00

<b>Sewer, Water, and Waste Management Systems</b> (e.g. joint wastewater treatment plants, shared pool of water and wastewater system operators, shared responsibility for water and sewer line construction)	26	\$131,820,378.00
<b>Energy Procurement</b> (e.g. participation in the Municipal Electric and Gas Alliance (MEGA), conversion to LED street lights)	23	\$2,365,144.00
<b>Parks and Recreation</b> (e.g. shared facilities, consolidated personnel for mowing and landscaping)	16	\$731,818.00
<b>Education and Workforce Training</b> (e.g. DSS partnerships with community colleges, schools, and BOCES)	1	\$800,000.00
<b>Law and Courts</b> (e.g. reorganization and consolidation of courts, shared police services, shared law enforcement training and equipment)	26	\$3,715,296.00
<b>Shared Equipment, Personnel, and Services</b> (e.g. shared animal control, code enforcement, GIS, and personnel, such as construction crews, lawyers, and financial advisors)	68	\$9,309,354.76
<b>Joint Purchasing</b> (e.g. centralized purchasing system for items and services)	27	\$1,714,596.00
<b>Reorganization</b> (e.g. dissolution of villages, consolidation of county and town departments)	5	\$1,134,540.00
<b>Transportation &amp; Highway Departments</b> (e.g. shared materials, parts, and services, such as mowing, plowing, and paving)	77	\$13,014,848.00
<b>Records Management and Administrative Functions</b> (e.g. digitization of records, county-provided tax collection, and county-provided IT services)	70	\$6,883,497.00
<b>Total</b>	<b>389</b>	<b>\$208,089,084.76</b>

Source: "A Review of the Plans Submitted Under the State County-Wide Shared Services Initiative" by the Rockefeller Institute of Government, the Benjamin Center, and the Center for Technology in Government (October 2017)

The scope of these projects demonstrate the innovativeness of local government leaders and their commitment to reducing the property tax burden. Several counties proposed to create health insurance consortia to improve the quality of health care and reduce costs. This was also a subject advanced in the Governor's 2018 State of the State. Collectively, this would save these counties \$10.8 million. Counties also adopted proposals to join the Municipal Electric and Gas Alliance (MEGA), an energy purchasing consortium that allows local governments to achieve the most competitive prices for electricity by encouraging municipalities to collectively purchase energy products and services. Erie County used this initiative to expand their senior dining and transportation programs while saving more than \$130,000. Suffolk County developed a framework for future shared services and savings through the creation of Suffolk Share, a web portal that will allow municipalities to share information about the services they perform and shop for the services they need. All of these proposals – as well as the

hundreds I do not have time to mention – underscore the commitment of local leaders to working with different levels of government to provide their residents with the best possible services at the lowest possible cost.

#### *Beneficiaries of the Savings and State Matching Funds*

The shared services projects developed as part of this initiative will save cities, towns, and villages money, but most proposals do not help the convener of the panel – the county – to reduce its own property tax burden. In fact, the CWSSI will end up costing counties in the form of staff time and resources, and consulting fees. The State placed the onus to develop a shared services plan on the county CEO without offering state partnership, clerical support, planning grants, or other resources that could have helped counties to find more substantial savings.

#### **IV. Analysis of the Success of the Initiative**

##### *Success in Accomplishing Its Intent*

The stated purpose of the CWSSI was to generate property tax savings by facilitating operational collaboration between local governments.<sup>1</sup> The Initiative succeeded in pushing local governments to perform an assessment of the services they provide and develop proposals that will generate modest property tax savings through inter-governmental collaboration.

The full measure of its success, in terms of property tax savings, will not be available until the close of the 2018 Fiscal Year, when the panel conveners will work with panelists to determine actual savings to be submitted for state matching funds.

#### **V. 2018-19 Executive Budget**

##### *Make the County-Wide Shared Services Panels Permanent*

The Executive Budget proposal includes language to make the County-wide Shared Services Panels permanent to facilitate continued intergovernmental collaboration and generate new and recurring local property tax savings. His proposal would provide fire districts and fire protection districts with the option to participate, in addition to school districts, boards of cooperatives educational services (BOCES), and special improvement districts. Fire districts and fire protection districts could previously not be included as panel members. The Secretary of State would be authorized to seek guidance and recommendations from the panels regarding certain local government efficiency and shared services grant programs.

##### *Amend Provisions of Law to Address Local Government Shared Services Obstacles*

The Governor proposes to amend various provisions of law impacting town justice courts and zoning functions to remove obstacles related to local government shared services. The proposal would amend the Uniform Justice Court Act to allow adjoining

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<sup>1</sup> <https://www.dos.ny.gov/lg/pdf/CWSSI.GuidanceDoc.pdf>

towns to share one or more town justices and to streamline the local process for implementation. It would also amend the General Municipal Law and the Statute of Local Governments to allow counties to provide certain functions at the request of, and in agreement with, another local government. Counties would be authorized to regulate, administer, and enforce planning, zoning, and other land use regulations at the option of, and in agreement with, a request from a city, town, or village.

To further help counties in their shared services efforts, the Governor included a proposal in his State of the State address to make it easier for counties to create shared risk health insurance consortiums with other local governments. No statutory changes and additional administrative reforms related to this proposal were included in his budget.

#### *Provide Matching Funds to Shared Services Panels*

The Executive Budget includes \$225 million in state matching funds for payment to local governments. The State will match net savings actually and demonstrably realized from new actions that were included in an approved county-wide shared services property tax savings plan finalized and submitted to the Division of Budget pursuant to the statute.

## **VI. Recommendations**

### *Recommendations for Amending State Law to Allow for Shared Services*

Several of the proposals included in the shared services plans cannot be implemented because of legal and regulatory barriers. For example, many panels expressed interest in forming a health insurance consortia to cooperatively purchase health insurance, but provisions in State Insurance Law prevent municipalities from forming such consortia. Panels also expressed interest in consolidating municipal justice courts. State legislation is needed to ease the barriers to consolidation that were identified in multiple shared services reports.

### *Recommendations for Expanding Participation to the State, Schools, Fire Districts*

NYSAC would support a stronger incentive to expand the participation of other local government jurisdictions in the process, especially school districts and fire districts. Because the statute did not require school districts, BOCES, or other taxing jurisdictions to participate as core panel members, many panels did not investigate their contributions to the property tax bill to find new shared services and efficiencies.

Going forward, we recommend that school districts, which levy over 60 percent of the property taxes collected in New York State, be more incentivized or required to participate on any state-imposed local shared service panel. Fire districts, business improvement districts, and other local taxing units should also be included on panels and participate in important discussions about how to share, coordinate, and improve the efficiency of services to reduce the property tax burden.

The State should also be required to participate on any service sharing panel, since they have resources and assets that could be drawn upon to help reduce the costs, and therefore property tax burden, in each of our counties. For example, shared service proposals could involve the State sharing its prison space, office buildings, equipment, information technology, records management systems, publicly-generated electricity, and any other resources they may have available in our communities. This would help to achieve more significant property tax savings than local partnerships alone can accomplish.

For example, Allegany County recently entered into a multi-year shared services agreement with the state Department of Transportation (DOT) that provides an avenue for sharing or lending equipment between the county and DOT. This example demonstrates that it can be both cost effective and mutually beneficial for the State to share services with local governments.

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.

#### *Recommendations for Modifying the Property Tax Cap Calculation*

Finally, the State should consider modifications to arcane requirements within the State's property tax cap calculation that places barriers to the most comprehensive shared services reforms when functions are fully transferred from one level of government to another. Currently, the one-size-fits all approach of cutting the property tax levy base of the entity that loses a function does not consider local budget circumstances and the ability of smaller jurisdictions to absorb the loss of the tax cap growth. The cap adjustment in these situations should allow entities given up a function to retain at least half of the value of the function transfer.

#### *Recommend providing seed funding for Shared Services Panel*

Since the counties were required to spend resources, time, and funding to coordinate these shared services panels, including hiring additional staff member, or contracting with research agencies or consulting firms, we recommend the state providing up to \$100,000 that could be drawn down for expenses, reports, or seed money.

#### *Recommend the development of an online database of shared services*

In 2014, the State Legislature enacted the property tax freeze rebate program that required counties and local governments to submit government efficiency plans that reduced the property tax levies for years 2017, 2018, and 2019. Then, last year, you enacted the county-wide shared services panels requiring local governments to share services and quantify taxpayer savings. All of these shared services should be catalogued and made available online for local leaders looking for best practices and innovative ideas. We recommend that State lawmakers provide funding for the development of this online database. This funding could come from the \$225 million allocated in the Governor's Executive 2018-19 State Budget proposal.

#### *Recommendations for continuing the state funding match for shared service savings*

One of the motivations for counties and local governments to develop shared service programs as part of last year's county-wide shared services initiative was the ability to leverage a state funding match for the savings generated by the projects of cooperation. Under current law, unleveraged funds would be repurposed after 2020. We recommend that State Lawmakers keep the \$225 million in matching funds in future State Budgets to be used as an incentive for shared service panels to develop new ideas and projects for reducing local government operational costs.

#### *Recommendations for Real Property Tax Reduction*

County leaders have strongly advocated in support of ways to lower the property tax burden for homeowners and businesses across the state, going back nearly 50 years when the largest state mandate, Medicaid, was first imposed on counties. Since that time, the cost of Medicaid has grown from \$100 million to over \$7.5 billion, and the State has required county taxpayers to finance with local taxes dozens of other state programs that, for the most part, counties in other states are not required to finance. These state-imposed mandates on counties require more than \$12 billion annually in locally-raised taxes to be sent to the State Capitol so they can be used in lieu of state-raised taxes to pay for statewide programs and initiatives. The chart below shows the cost of nine state mandates that counties are required to finance as a percentage of the county tax levy and underscores the need to realign how and what level of government pays for state-mandated services.

The Impact of Major State Mandates on Counties			
	2010	Mandate Base Year 2011	9 for 99 2015
Medicaid**	\$ 2,081,000,000	\$ 2,135,000,000	\$2,255,650,783
TANF - Family Assistance	\$ 92,000,000	\$ 91,000,000	\$0
Safety Net/TANF	\$ 204,000,000	\$ 215,000,000	\$373,294,006
Child Welfare	\$ 270,000,000	\$ 270,000,000	\$291,832,200
Special Education Pre-K <sup>2</sup>	\$ 193,900,000	\$ 207,240,882	\$250,744,099
Early Intervention <sup>1</sup>	\$ 60,000,000	\$ 64,600,000	\$75,708,792
Indigent Defense <sup>3</sup>	\$ 133,812,147	\$ 140,054,574	\$164,391,331
Probation	\$ 116,000,000	\$ 123,200,000	\$156,668,359
Youth Detention	\$ 29,000,000	\$ 31,000,000	\$38,581,897
Pensions*	\$ 461,978,835	\$ 687,481,228	\$1,162,903,116
Cost of 9 State Mandates	\$ 3,641,690,982	\$ 3,964,576,684	\$4,769,774,583
Statewide Property Tax Levy (w/o NYC) <sup>4</sup>	\$ 4,516,741,102	\$ 4,528,799,053	\$4,832,672,795
Cost of These Mandates in Comparison to County Tax Levy	81%	88%	99%

\* 5 year change - 2009-2013 - pension amounts paid by counties taken from Annual OSC CAFRs

\*\* 2% year over year growth as enacted in 2012-13 budget, 2013-14 growth equals 1%, 2014-15 and thereafter 0% growth under state growth cap

\*\*\* Actual Adopted Levies for 2010, 2011, 2012, 2013, 2014, 2015

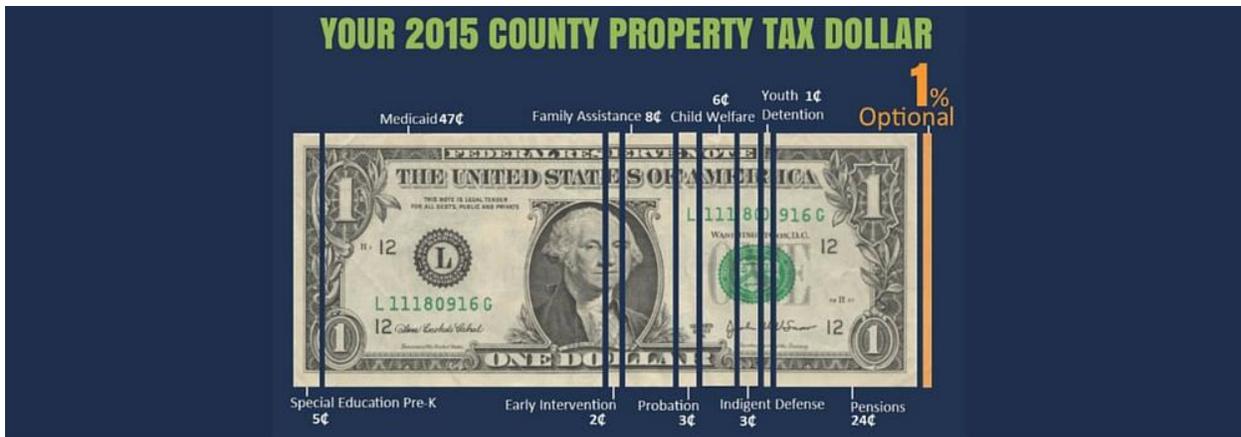
<sup>1</sup> The Early Intervention program switched to a prefunded statewide fiscal agent model in late 2013 which lowered the growth rate to about 1%.

<sup>2</sup> Preschool Special Education growth rates slowed dramatically in 2014-2015 and are expected to plateau in future years due to reforms

<sup>3</sup> Per NYS Comptroller and OILS

<sup>4</sup> County Property Tax Levy (net of county special districts)

In New York, 80 percent of a typical county's total budget is dedicated to paying for state and federal mandates, including Medicaid. Of note, the cost of nine state mandates, including Medicaid, is equal to the entire statewide county property tax levy.



NYSAC attributes the practice of using local revenues to subsidize statewide spending initiatives as the number one reason why New York's property taxes are the highest in the nation. If the State's goal is to meaningfully reduce this burden, state officials ought

to work with counties to eliminate the requirement that counties locally finance state-mandated programs.

## **VII. Conclusion**

It appears that the Assembly, Senate, and Governor will continue to encourage counties to work with and coordinate the plans of the localities within their boundaries. The overall objective of sharing services and implementing efficiency programs is to reduce the property tax burden on New York's homeowners and businesses. Unfortunately, counties and local governments do not control the major cost drivers in our local budgets. Those major cost drivers stem from policies and programs that are mandated through state laws.

In order to achieve real and permanent property tax relief, state leaders need to reform those mandates and policies that have made New Yorkers some of the highest taxed citizens in the nation. Until those reforms are enacted and the way we finance program and services in New York State is realigned, all efforts to share services at the local level will only stabilize property taxes that are among the highest in the county.