



# NEWS RELEASE

New York State Conference of Mayors and Municipal Officials  
119 Washington Avenue, Albany, New York 12210 • (518) 463-1185

Peter A. Baynes  
*Executive Director*

FOR RELEASE: Immediately  
February 28, 2011

Contact: Peter A. Baynes  
(518) 463-1185 office  
(518) 527-0350 cell

## **Pension and Health Insurance Costs are Forcing Property Taxes Higher and “Crowding Out” Taxpayer Priorities -- Mayors Release Results of City Budget Survey --**

(Albany, NY) The New York State Conference of Mayors (NYCOM) today released the results of its annual “City Budget Survey,” clearly documenting that drastic increases in pension and health insurance costs – which, due to state laws, are largely beyond the control of local officials – are:

- creating financial pressures beyond the fiscal capacity of cities and their taxpayers;
- forcing widespread and significant increases in property taxes, as 88% of cities increased their property tax levies in 2011, and by an average of 4.8%;
- “crowding out” other local budgetary priorities, such as essential services pertaining to public safety, transportation, water and sewer;
- leading to continuing reductions in the size of municipal workforces, as 82% of cities have cut their staffing levels over the past decade, by an average of 11%;
- resulting in an ominous trend of growing reliance on dwindling fund balances as a means of halting even greater increases in property taxes; 79% of cities appropriated fund balance and expended, on average, 27% of their remaining available funds.

“This data, in the starkest of terms, shows that our cities are in the express lane on the road to fiscal ruin, where the combination of pension and health insurance costs will devour every single dollar of property taxes collected, leaving no resources to provide essential local

- MORE -

services,” stated Peter A. Baynes, NYCOM Executive Director. “Albany’s choice is clear: either reform and rein in these out-of-control costs, or watch our cities and our state continue to decay.”

“NYCOM’s recent report, ***You Can’t Cap What You Can’t Control***, has provided the Governor and the State Legislature with a clear and reasonable roadmap for providing significant and sustainable property tax relief in a way that does not decimate municipal workforces and the essential services they provide,” concluded Baynes. “The seemingly inexorable growth in New York’s mounting property tax burden cannot be successfully stopped without recalibrating New York’s public sector benefit structure. NYCOM urges the Governor, the Senate and the Assembly to do what has to be done.”

NYCOM surveyed the sixty-one cities outside of New York City and asked a series of questions about their fiscal condition, property taxes, health and pension costs, and workforce reductions. The key findings are attached.

# RESULTS OF NYCOM'S 2011 CITY BUDGET SURVEY

*The following is a summary of the findings from NYCOM's January 2011 budget survey of the 61 cities outside of New York City. Survey responses were received from 43 cities and serve as a representative cross section of cities of all sizes and all regions of the state.*

## **Health Insurance and Pension Costs**

The cost of pensions and health insurance is placing a rapidly growing and soon-to-be unsustainable amount of fiscal pressure on city budgets, combining to represent 47.4% of the average city's property tax levy:

### ***Health Insurance Costs***

- Notwithstanding concerted efforts by mayors to negotiate cost-sharing measures with public employee unions, health insurance costs on average consume 29.5% of a city's property tax levy and for these 43 cities amount to a total expenditure of \$315 million;
- The cost of health insurance for municipal retirees, on average, represents 39% of a city's total health insurance budget, and in 21% of the cities it exceeds the cost of health insurance for existing employees.

### ***Pension Costs***

- The cost of providing public pensions represents 17.9% of the responding cities' property tax levies, totaling \$188 million;
- Pension bills due in December 2011 (or February 2012) for these cities will increase by an average of 28%;
- Pension costs alone are increasing by a total of \$41.4 million for these 43 cities, more than three times greater than the \$12.1 million increase in their property tax levies, which highlights the fact that city officials are using all available means to minimize the impact state-mandated pension cost increases have on property taxpayers.

## **Use of Fund Balance**

- 79% of cities reported appropriating a portion of their fund balance to minimize property tax increases in their 2011 city budgets;
- The percent of fund balance, on average, appropriated to balance city budgets in 2011 was 27%; the average amount of fund balance appropriated was \$1.7 million (up from \$1.3 million in 2009 and \$1.6 million in 2010).

## **Workforce Reductions**

- 82% of cities have reduced the overall size of their workforce since 2000;
- the average reduction in the number of full-time equivalent employees was 11%, including cutting the number of firefighters by 6%, police by 4%, and administrative staff by 12%.

## **Property Tax Growth**

Even with the use of fund balance, cuts in staffing, attempts to negotiate savings in employee benefits, and maximizing consolidations and shared services, the large majority of cities were forced to increase property taxes:

- 88% of cities increased property tax levies for 2011; 81% of cities increased property tax rates, reflecting a sharp rise in an upward trend over the past three years (54% in 2008, 57% in 2009 and 66% in 2010);
- The average increase in property tax levies for 2011 was 4.8%; the average property tax rate increase was 5.8%, up from 3.8% in 2009 and 4.4% in 2010.