Testimony of the New York State Conference of Mayors

Peter A. Baynes, Executive Director

Before the

New York State Assembly
Budget Oversight Hearing on
County-Wide Shared Services Property Tax Savings Plans

Assembly Standing Committee on Local Governments
Hon. William B. Magnarelli, Chair

Assembly Standing Committee on Cities
Hon. Michael R. Benedetto, Chair

January 16, 2018
Albany, New York
Thank you for affording NYCOM the opportunity to express our views on the Countywide Shared Services Initiative mandate included in the 2017-18 State budget. Our testimony is informed by the input received from our 580 city and village members throughout New York over the past nine months.

Shared Services at the Municipal Level

City and village governments and their municipal counterparts at the town and county level operate in a governmental world where they are held accountable by constituents on the daily ability of the local government to provide essential municipal services in the most cost effective manner. A fundamental strategy used in meeting that test is working cooperatively with peer municipal governments to share services, personnel and equipment, and even transfer functions when a service can be more effectively maintained or enhanced via such a consolidation of services.

By any objective measure, and in stark contrast to the inaccurate declarations by the Governor, for decades New York’s municipal governments have led the way in removing duplication and strengthening their sharing of services. Many of the members of your committees have served in local government and know firsthand the truth of widespread shared services in the municipal world. Mayors view shared services as an ongoing aspect of governing at the local level and remain vigilant in their search for additional ways to work cooperatively with their governmental partners.
County-Wide Shared Services Initiative: Proposal and Enactment

When the Governor last year proposed a mandatory (on municipalities, not on school districts), top-down, undemocratic approach to shared services, along with state budgetary linkage between AIM funding and countywide shared service panels, NYCOM and our mayors objected strongly. The last thing New York needed was another mandate from Albany, particularly one that would circumvent local democracy via a county-determined, all-or-nothing referendum.

While it was unfortunate that the Governor chose to pursue a State-mandated solution to a problem that, at the local level, doesn’t exist, thankfully the Senate and Assembly reworked the Governor’s proposed consolidation mandate in a way that respects local home rule and acknowledges the vast amount of longstanding shared services at the municipal level. At the urging of NYCOM and local officials throughout New York, the Legislature rejected the un-democratic countywide referendum and the imposition of one community’s will onto another.

In place of the Governor’s original proposal, the final State Budget for 2017-18 included a temporary experiment in county-led, consensus-driven development of a countywide shared services plan. Working under a very tight timeframe for the first year of the program, county chief executive officers took varying approaches to the CWSSI mandate, from developing comprehensive plans with all or most of the mayors and supervisors in the county, to deferring action until 2018 when a more well-thought-out and attainable plan could be developed. To the degree to which a particular county moved forward with developing a plan in 2017, our city and village mayors were willing participants, offering proposals and open to considering those of other elected officials.
As reported by the Rockefeller Institute of Government, the “Property Tax Panel” in 34 of the 57 counties outside of New York City developed, adopted and filed a “Property Tax Savings Plan” for 2017, with a total of 389 proposed projects and $208 million in estimated savings for 2018. While at first blush these results seem significant, a deeper look into the plans, as summarized in the Rockefeller Institute report and data collected by NYCOM, leads to a set of very different conclusions:

(1) $128 million (or 62%) of the estimated statewide savings came from a single, long-pursued consolidated wastewater treatment facility proposed by Nassau County and the City of Long Beach; and 74% of the total estimated statewide savings came from just five of the 389 proposed projects;

(2) the efficacy of each of the 389 proposed projects developed in 2017 and the plans/proposals still to be developed in 2018 – as well as the overall success of the CWSSI process itself – remain speculative at best and will take at least two more years for plan development and project implementation;

(3) many of the shared services proposals, particularly those with the largest amount of potential savings, are contingent upon legislative and/or regulatory removal of legal barriers; and

(4) the failure to require school districts, as the largest imposer of property taxes, to participate in the development of the plans weakened the plans’ potency to provide any level of measurable relief to property taxpayers.
NYCOM Recommendations

The County-Wide Shared Services Initiative program remains largely a solution in search of a problem. With or without this state mandate, municipal governments will deal with limited revenues and rising costs by continuing to explore and, when appropriate, implement shared service arrangements with other local governments. The types of shared services specifically contemplated by the CWSSI program, including joint purchasing, shared equipment and facilities, and energy/insurance purchasing cooperatives, are the most common types of shared services employed by cities, villages, counties and towns throughout New York.

In response to our members desire to maximize their cooperative efforts in these realms, NYCOM has developed a suite of popular shared service programs, including a property/liability insurance reciprocal (approximately 900 municipalities), workers compensation insurance group self-insurance (nearly 300 municipalities) and cooperative purchasing programs for equipment, services and energy.

With the large degree of preexisting shared services, state and local leaders should have a realistic expectation regarding possibilities for significant expansion of shared services, particularly to a degree that would facilitate much-needed property tax relief. The preliminary results after year one of the two-year CWSSI are far from conclusive, particularly when the vast majority of the proposed projects would generate minimal savings, have not been implemented and 40% of the counties have not yet even developed a plan with their constituent municipal governments. The Governor’s proposal in the 2018-19 Executive Budget to make the CWSSI pilot program permanent and all municipal performance aid dedicated to CWSSI-generated
projects is premature and discriminates against shared service arrangements developed organically among local leaders outside of the State-dictated CWSSI structure. NYCOM urges the Assembly to reject this proposal and instead undertake a thorough review of the CWSSI pilot program after its second set of proposed projects are implemented in 2019.

If the Governor and the Legislature are serious about enabling property-tax relieving shared services at the local level, the most effective action you could take is to remove the statutory and regulatory barriers to such cooperative efforts. The good news is that the Governor’s Executive Budget begins to embrace this barrier-removal as a powerful way for the State to enable greater, more beneficial cooperation at the local level. The Executive will ease rules on the creation of local healthcare consortia to reduce local health insurance costs, one of the largest and fastest growing expenses in municipal budgets. NYCOM has long advocated such a change and we look forward to working with the Governor’s Department of Financial Services to assist our smaller municipalities in benefiting from the pooling of health insurance.

In 2015, the Assembly and Senate enacted legislation supported by NYCOM that makes it easier for local governments to negotiate the purchase of street lights from the power utility. We are pleased to see that the Governor will launch a statewide Smart Street Lighting program to convert street lights to LED technology. Cities such as Schenectady, Binghamton, White Plains and Albany are taking advantage of the cost savings and service benefits of taking control of their street lights. NYCOM stands ready to assist NYPA and the state agencies heading up this important initiative.
A major roadblock to local efficiency and consolidation efforts is the disincentive to transfer a service function from one municipality to another under the tax cap statute. Budgetary actions intended to keep a municipality’s spending and property taxes from growing – including attrition, use of fund balance or reserves, and deferring maintenance -- are allowable means for a local government to keep its levy growth under the tax cap. However, if a municipality agrees to transfer a service function to another locality in order to maximize efficiency while continuing to provide an essential service, the municipality that foregoes the function is actually punished by having the tax cap lowered dollar-for-dollar for the savings they achieve through the functional consolidation. **NYCOM is working with Assemblyman McDonald to address this counterproductive aspect of the tax cap statute so that local leaders can move forward with transfer of function initiatives.** We hope we can count on the support of your two committees and the entire Assembly in making this much-needed change.

Finally, NYCOM again notes that a key shortcoming with the County-Wide Shared Services Initiative mandate is that school districts -- and their 72% piece of the average property taxpayer’s bill -- are not required to participate in the panels. It is no surprise, then, that in only nine counties did the generators of the biggest component of New York’s property tax problem participate in the county panel. This discrepancy should be corrected prior to any other changes to the CWSSI program.

**Conclusion**

As local officials continuously work to expand the degree to which they share services with other local governments, the best thing the Governor and the State
Legislature can do is respect and facilitate these local efforts at efficiency by avoiding mandates and removing barriers to cooperative behavior. NYCOM urges you to allow the CWSSI experiment to run its course while you and the Administration work to remove the roadblocks to efficiency.