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The County Perspective

2014-15 Executive State Budget Proposal

Testimony submitted
by the

New York State Association of Counties
and the
New York State County Executives Association

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Thank you Chairman DeFrancisco, Chairman Farrell and the other members of the Joint Legislative Budget Committee. I am Steve Acquario, Executive Director of the New York State Association of Counties and I appreciate the opportunity to testify today. I am joined today by Oneida County Executive Anthony Picente, who also serves as the President of the NYS County Executive's Association. Additionally, Dutchess County Executive Mark Molinaro is here. I will take a few moments first and then turn things over to our County Executives.

My role here is to define for you what counties do, and our intergovernmental purpose, mission and relationship. County Executive Picente will discuss the role counties play in sharing and consolidating services in our communities. County Executive Molinaro will talk about a specific proposal that will lower costs for counties and the state.

County Purpose, Mission and Relationship to the State

County government serves as a regional government in New York State. Many of the services we provide are mandated by New York State and the Federal Government, and others that are permitted by State and Federal law. In some cases, the State and the Federal Governments share in the costs associated with these services. In other instances, the County is responsible for the entire cost.

The following is a partial list of the departments and divisions for one of our smallest counties:

- Board of Elections (mandated)
- County Attorney (DSS, PINS, JD) (mandated)
- County Clerk (mandated); DMV (Motor Vehicles)
- District Attorney (mandated)
- Economic Development and Planning (ED&P)
- Fire (mandated)
- Health Department (mandated)
    - Environmental Health
    - Nursing Service
    - Health Education

    - Children with Special Needs
    - Coroners
- Weights and Measurers (mandated)
- Historian
- Information Technology
- Geographic Information Systems (GIS)
- Legislature (mandated)
- Mental Hygiene (mandated)
    - Alcohol and Substance Abuse Services
- Personnel (mandated)
    - Civil Service
- Benefits/Workers Compensation/Safety
- Probation (mandated)
- Public Defender (mandated)
- Public Works (Highway)
    - Buildings and Grounds
    - Solid Waste
- Real Property
- Records Management (mandated)
- Sheriff (mandated)
    - Jail
    - Road Patrol
    - E-911 Dispatch
    - Criminal Investigation Division (CID)
    - Emergency Management Office
- Social Services (mandated)
    - Adult Protective Services (mandated)
    - Child Abuse/Neglect Hotline (mandated)
    - Child Support Enforcement Unit (Mandated)
    - Energy Assistance
    - Food Stamp Assistance (mandated)
    - Foster Care/Adoption Services (mandated)
    - Fraud
    - Long Term Care
    - Medical Assistance/Medicaid (mandated)
    - Public Assistance (mandated)

  - Support Collection Unit
- STOP DWI
- Youth Bureau (mandated)
- Treasurer (mandated)
- Veterans' Service Agency

And that's a small county - larger counties often provide many additional services.

State-County Partnership
As you can see, counties act as the State's "managing partner" through the administration and financing of many state and federal programs, including Medicaid, public assistance, child welfare, public health, indigent legal defense and a wide variety of public safety programs, to name just a few. Each one of these departments has a corresponding agency at the State level, and our departments take direction from those agencies; whether through a legislative mandate or a policy directive.

The Governor and Legislature recognize the impact this "partnership" has on county spending and budgeting, and more importantly on local taxpayers.

Counties want to thank you for your efforts to reduce county budget pressures. When you lower costs for counties this translates directly to lower costs for county taxpayers.

Lowering Costs for Counties = Lower Taxes
Capping the growth in county Medicaid costs beginning in 2015 and the creation of Pension Tier 6 will provide significant savings for tax payers in the future, but we must recognize that most of these savings will accrue many years from now.

The cumulative savings for counties (outside of NYC) from these actions (including the acceleration of Federal fiscal savings from the Affordable Care Act) for tax cap years 2012, 2013 and 2014 will be just over $100 million. This equals about 1.5 percent of county Medicaid costs paid during this three-year period, and seven tenths of one percent of the total county tax levy over that period.

The savings from these reforms will grow over the decades to come and will help reduce pressure on future property taxes. Counties and our local tax payers are thankful for this relief and look forward to building upon these successful efforts designed to lower budget costs for counties and local tax payers.

But I want to be clear, because sometimes the call for mandate relief gets misinterpreted: These reforms did not *lower* our existing costs, they simply capped us where we are. They allow us to avoid future increases, which is a great thing. But we are still paying $7.5 billion a year in Medicaid, and $12.4 billion total to pay for nine state mandated programs and services. That's why our county leaders keep telling us they need more.

Mandate Relief Works

> *"It is clear that lowering costs for local governments can lead to lower property taxes – this should be our number one priority. If a county, city, town, village or school district is required by the State to spend $1,000,000 to provide a particular service or benefit, it is pretty safe to conclude these mandated expense will become part of the local tax levy in some form. Logic follows that if the required state spending of $1,000,000 can be lowered through reforms, or eliminated, it will allow the local government to keep its tax levy down or even lower it."*

Providing mandate relief to local governments works. Counties are living proof of what can happen when the state reduces a state imposed financial burden. The county share to support the State and federal Medicaid program provides a concrete example.

Around 2001, New York State implemented the largest expansion of the State's Medicaid program in a generation by substantially expanding eligibility for Medicaid and the Children's Health Insurance Program (CHIP) – the expansion ultimately made 1 in 3 New Yorkers eligible for Medicaid or CHIP.

At the time of the State Medicaid expansion, counties were still paying a percentage share of gross Medicaid program costs. As enrollment expanded in the years following the law change, county Medicaid costs increased significantly. From 2002 through 2006, the aggregate county property tax levy increased by over 35 percent and more than 30 counties increased their local sales tax rates as well. These increases were necessary in order to cover the burgeoning costs of Medicaid while also maintaining other local services. For the five-year period prior to the Medicaid expansion, the aggregate county property tax levy remained flat, hovering around $3.1 billion. Five years after the expansion, the aggregate county property tax levy had increased to $4.2 billion – many counties experienced double digit property tax increases in multiple years.

The Governor and Legislature quickly realized that this was unsustainable, and in 2005, they enacted a three percent growth cap on county Medicaid costs. The impact on county property taxes was significant. During the four primary years of Medicaid enrollment expansion (in the aggregate) the average annual property tax increase was about 5.4 percent. In the seven years since the three percent growth cap was enacted (through 2013) the average annual property tax increase has been less than 2.2 percent. The point is clear: without that mandate relief, county property taxes would have marched higher.

An additional benefit to this fiscal reform is that as the State took more fiscal responsibility for its own Medicaid program they also had a greater incentive to control Medicaid cost growth. This culminated in Governor Cuomo's historic Medicaid Redesign Team reforms that dramatically slowed the growth in New York Medicaid costs. This conforms to a basic tenet of governing that counties have long espoused – decisions are always better when the full cost and consequence of the decision is borne by the entity making those decisions.

This also improves accountability and transparency to the tax payer, as those making the decisions on services required and their direct costs are more easily identified.

At this time, I will turn the microphone over to County Executive Picente to talk about successful consolidation projects.

County Executive Picente, Oneida County

Counties strongly agree with the Governor that we need to lower the cost of government in NY State. We believe that sharing services and functions at the local level can lower costs for tax payers and that is a primary reason why counties have been aggressively pursuing shared services arrangements and even consolidations across governments (when feasible) for decades.

Improving government efficiency is a constant, never ending pursuit for local governments. Whether it is providing online services to enhance accessibility and improve the taxpayer experience, sharing resources to garner more efficiency in maintaining and clearing roads, pursuing joint procurement opportunities to lower costs, pooling risk, privatizing functions, selling assets, repurposing public spaces so multiple jurisdictions and their tax payers can access a single venue that was at one time only used by one entity – these activities have gone on for a long while and they will continue to be a central focus of counties.

Last year, I joined with Onondaga County Executive Joannie Mahoney to share a medical examiner. Counties are responsible for investigating the circumstances and causes of any death in the county. They must investigate unattended, violent, suspicious and criminal deaths, as well as any death that takes place in the local jail. Investigative and autopsy reports are provided to the courts, district attorney, and police regarding cases in which there is a belief that a crime may have been committed. Today, Oneida and Onondaga counties are using one ME office to coordinate this vital function.

Dutchess County is sharing school resource officers, and has intermunicipal agreements for rail-trail maintenance and traffic safety enforcement. They are also providing a conflict defender program jointly with Ulster County.

Westchester County provides Employee Assistance Programs (EAP's) to 33 municipalities and neighboring Putnam County.

Rensselaer County has consolidated the emergency communication centers of most of the municipalities across the river from here.

Nassau County purchases gasoline, diesel, heating oil, motor oil, antifreeze, and propane used by all three townships, villages, schools, libraries, sanitary districts, community college, water districts and their fire academy.

Ulster County Executive Mike Hein created the STRIVE project (Shared Taxpayer Relief through Innovative Visions in Education) together with the school district and the community college. It is providing greater access to higher education, placing surplus county buildings back on the tax rolls, repurposing an elementary school that would otherwise become vacant, and providing a single point of access to Ulster County's health and human services. The initiative will save millions of dollars over the next decade.

Last year, Genesee and Orleans counties' Health Departments began a two-year collaborative Cross Jurisdictional Services (CJS) pilot project to study and assess the merits of sharing public health services. The counties decided to provide services through a shared senior administration model in order to create financial savings while enhancing service delivery. This initiative is the first of its kind in New York State.

Essex County consolidated its offices of Community Development and Planning, Youth Bureau, Stop DWI and Traffic Safety into the Office of Community Resources. The services each office offered prior to the consolidation continue to be offered by significantly fewer employees.

Genesee County buys and maintains street signs for nearly all municipalities within the county.

That's just the tip of the iceberg. There are many others.

Nevertheless, there remains a share of hurdles that must be overcome to achieve more government consolidation and shared services. Many of these hurdles stem from state laws or regulations. This is in addition to liability, privacy, labor contracts, economic and social desires that permeate formal consolidations.

For example, health insurance costs are among the fastest growing expenses for local governments across the state. To address this challenge, counties would like the ability to create municipal health insurance consortiums to jointly self-fund their health plans at a significantly lower cost for taxpayers. These plans would reduce costs and increase flexibility while ensuring quality coverage for counties, municipalities, and local government employees. Under state law there are restrictions that prevent this from happening.

We need to amend the Insurance Law while protecting taxpayers and the participating municipalities. These consortiums need the ability to buy stop-loss insurance policies. Despite the shared service consortium being a larger entity, current law does not allow them to purchase stop-loss policies if any of their member local governments have fewer than 100 employees.

This change would promote greater local government efficiency, shared services and taxpayer savings—all goals of Governor Cuomo and the Legislature.

Similar issues prevent more local governments from pooling risk together for workers compensation purposes as well.

We are ready, willing and able to continue sharing services, but if we are to affect meaningful savings and relief, the state needs to take action, in the form of mandate relief and policy reform.

[Stephen J. Acquario]

Property Tax Freeze State Tax Credit

While counties are encouraged by the Governor's laser-like focus on property taxes, we believe that delivering property tax relief can be achieved in a less cumbersome way than as proposed through his Budget proposal. We agree with an approach that incentivizes local governments to pursue shared service arrangements or governmental consolidations where it makes sense and is economical, and is supported by the community.

The Governor's proposal requires a significant number of steps for a homeowner to qualify for the State tax credit, and would be nearly impossible for any homeowner to verify if they are entitled to a state tax credit. It also requires the state and local governments to process enormous amounts of paperwork.

A sampling of the steps involved include: developing, negotiating and implementing signed agreements and action plans with potentially hundreds of separate jurisdictions within a county by June 1, 2014; monitoring these agreements for years afterward; processing payments to homeowners that may be less than $10 dollars, depending on the jurisdiction for which the credit is applied; and taking on processing costs for the state tax credit check that will likely far outweigh the benefit to the tax payer.

The proposal also requires separate systems for implementation: one for school districts and another for municipalities. This dual system would further limit transparency and add to the confusion of any homeowner in regard to whether they are entitled to a tax credit.

It is also not clear if a local government that has already done a lot of internal or external consolidations, or is already involved in shared services arrangements, would get any credit for these ongoing activities.

It appears that, under the legislative proposal, even if a municipality undertakes a governmental reform or internal consolidation that saves tax payers significantly more money (but is not on the list of specific shared services or government consolidation activities lined out in the bill), local homeowners would not be eligible for the state tax credit - even though the local government is undertaking significant cost-saving measures.

Counties support the focus on property taxes and we want to remain involved in streamlining government programs and improving accountability to the tax payer. However, a much larger discussion is necessary in order to provide permanent property tax relief. A review of local government operations and the pursuit of shared services and even government consolidations is a smaller part of a larger and more impactful realignment of the state/local relationship.

A realignment of state and local government responsibilities, determining the totality of necessary and prudent governmental services that should be provided, which level of government (or private sector entity) should provide them, and finally a blunt discussion about what the most appropriate (and least burdensome) revenue source to finance these governmental services makes the most economic sense.

Today, New York relies far too much on the property tax to support statewide activities and functions that most states across this nation finance with something other than the property tax. New York also spends far more than most states and until we control spending at all levels of government in New York we will not provide meaningful property tax relief to tax payers.

Most county spending is to support state and federal programs – providing relief from these costs must continue to be part of this discussion.

To build upon Steve's testimony, mandate relief only works if no new costs are transferred to local governments. Mandate relief that puts local tax dollars back in your pocket with one hand only to be removed by another hand later does not help the local tax payer or county budget.

No New Unfunded Mandates

Over the last few years, the Governor and Legislature have been very careful to not impose significant new costs on counties and other local governments. However, we still believe it is in the best interest of tax payers to enact No New Unfunded Mandates legislation that will prevent new unfunded mandates from being created or allow for the expansion of existing unfunded mandates. We strongly support Legislation advanced by the Senate in this regard and encourage the Assembly and Governor to support such a proposal as well. At a minimum – Do No Harm – should be the mantra.

Warning Flags: The state must begin to reverse recent cost shifts enacted at the height of the Great Recession. In most cases (for counties) state reimbursement was cut, but counties were still required to provide the same level of service and benefits as required under state law – often with a growing underlying caseload. Some of the more prominent ones include:

- Shifting the public assistance Safety Net program from a 50/50 State/county share to 29/71 percent state/county share. This was accompanied by a complete federalization of TANF which reduce state and local costs, but counties were saddled with 71 percent of the Safety Net program with caseload and costs growing on average by nearly 5 percent per year that last several years, while TANF costs and caseloads have not changed at all. Counties highlighted this early on as unfair and the data is supporting that position. Many counties have experienced double digit growth in Safety net costs and caseloads since the funding shift occurred.
- Early Intervention program costs have gone from 50/50 state/local share to 49/51 state/local share. The enactment of the statewide fiscal agent was intended to lower county costs by about $50 million over five years, but the delayed and bumpy rollout, along with a cut in Early Intervention administrative funding to counties means most counties have probably lost money from this reform – so far. In addition, the state is proposing an administrative funding cut to local

health departments that will cost counties $10 million annually. In one pocket out the other.
The state has also not been able to develop a county-by-county benchmark of how efficient counties were under the old EI model in regard to claiming against Medicaid and third party insurance, so measuring savings as we go forward will be difficult. Counties do support the Early Intervention fiscal agent reforms and we believe they will eventually improve overall program efficiency and integrity, but we have a long way to go and with the administrative action by the state – county budgets and local tax payers we have gained nothing financially from these combined actions.

- Child Welfare and adoption matching has shifted from 65/35 state/local share to 62/38 state/local share.
- 2 percent across-the-board cuts in local assistance; and
- The complete elimination of state financial support for administering a wide variety of state and federal public assistance programs are primary examples of the earlier cost shifts.

  Safety Net and Child Welfare shifts are becoming growing problems for many counties and local property tax payers.

Home Rule

Another item that is critically important to counties is timely review and consideration of home rule requests. It has become increasingly difficult for counties to move home rule revenue bills that ask for an increase in local revenues. While counties were able to enact a few of these bills last year, others did not get finished. Last year, the Governor proposed allowing counties to renew their existing sales tax rates at current levels without having to come before the State Legislature and Governor every two years.

County elected officials and professional managers go through extensive analysis and community outreach to determine the most appropriate mix of revenues they deem least burdensome. These locally raised revenues are used to support, in the first instance, the costs of state-required spending and what remains is used to support local quality of life initiatives in our communities, while maintaining public health and safety.

The State should grant home rule sales tax authority to counties as part of the enacted Budget.

(County Executive Molinaro)

Universal Preschool Education

The goal of Universal Prekindergarten (or UPK) is to provide all four-year-old children in New York State with an opportunity to access high-quality prekindergarten programs that prepare them for future school success. As New York moves towards its goal of providing full-day prekindergarten to all children, we must ensure that our preschool children with special needs are not left behind.

Special needs children between the ages of 3 and 5 receive essential services such as speech therapy, occupational therapy, and physical therapy through New York State's Preschool Special Education program. This program serves as a bridge between the county-run Early Intervention (EI) program, which services children aged 0 to 3, and a formal Individual Education Plan (IEP) in a school setting.

The preschool special education program is funded by state and county dollars, and school districts are charged with determining eligibility and ensuring the provision of services. In 2007, the Task Force on Preschool Special Education determined that preschool special education would benefit from better alignment between funding and decision making, in order to create a preschool system more akin to the school-age special education system. The statewide implementation of universal preschool will allow the state to build a much more efficient and higher quality system of care for these children.

In 2001-02, the New York State Education Department studied a sample of three and four year old children with disabilities. The study concluded that, by grade 3, children who had received preschool special education services were more developmentally advanced than the comparison group who did not receive special services. The study further concluded that more highly integrated preschool special education programs and services were associated with higher levels of development. This determination is consistent with federal law which provides that special education services are to be delivered in the least restrictive environment.

Children with disabilities must receive their education, to the maximum extent appropriate, with nondisabled peers and special education pupils must not be removed from regular classes unless, even with supplemental aids and services, education in regular classes cannot be achieved satisfactorily.

This concept of integrated, uniform and consistent services can help move us closer to another stated goal of Governor Cuomo to ensure that those individuals in need of potentially lifetime assistance have access to a single unilateral service delivery system as soon as possible.

Today, services for special needs children can be splintered and unbalanced. A child may be handed from one agency, government program and service provider many times even before they reach the age of five.

We also must recognize that with the state imposed property tax cap, no local government can afford to abide by the cap while implementing statewide universal preschool education. State funding must be used for the expansion of statewide UPK. Counties will be severely challenged in maintaining the property tax cap in a fully expanded UPK program unless financing and program responsibilities are realigned within the current special education preschool program.

Therefore, counties strongly endorse state-funded universal preschool statewide.

Thank you for the opportunity to discuss some of the impact the proposed budget would have on our counties. We have a lot of work to do and we look forward to collaborating to improve the way we fund and deliver services in this state.