

Can Localities Do it Alone?

Governor Cuomo's Property Tax Freeze Proposal assumes the problem with high local property taxes in NYS is due to high local government spending – hence his proposal to freeze taxes, and encourage consolidation and service sharing. However, Cornell research shows that the high local taxes are due in large part to a high level of state decentralization of fiscal responsibility to local governments. According to the US Census of Government Finance most recent data (2007), 64% of all state and local government spending is decentralized to the local level in NY. Neighboring states only decentralize about half of all expenditures to the local level.

Also service sharing, while excellent, is of limited reach in addressing cost reductions. This is for several reasons:

- economies of scale in service delivery are limited,
- shared services are already widely practiced so room for more sharing is limited,
- state rules limit sharing and service innovation, and
- service sharing is done primarily to improve service quality and regional coordination.

A 2013 survey of service sharing across municipalities in NYS found cost savings were achieved only half the time. Regression analysis on expenditure found lower costs in governments which share services in the areas of roads and highways, police, solid waste, libraries and water, but not in other services. Roads and highways, police and libraries are areas of longstanding collaboration across municipalities in NYS.

Government reform is needed in NYS. But a partnership with the State is critical and it needs to be based on solid research data. The research data clearly show that NYS devolves more fiscal responsibility to local governments than any of our neighboring states. Local governments in NYS already show very high levels of service sharing but this will not be a panacea to cost savings. Local governments cannot solve this problem on their own. The state must step up to its obligation to fund critical services the citizens of New York require.

For more information, contact Mildred Warner or see <http://www.mildredwarner.org/restructuring/fiscal-stress>