

Interrupted Evolution: Regional Government and Survival in Upstate New York

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Introduction

Monroe County, like most Upstate New York county governments, participated in the evolution toward regionalized management of public services – a trend that has been seen as resulting in some exemplary good governance. New York counties have for decades functioned as social services districts, following the realization during the Great Depression that the county was more appropriate than the municipality as the regional management entity for federal and state programs for the indigent. County functions in New York State have grown somewhat haphazardly or organically, and today constitute a patchwork of functions beyond social services and public safety, reaching to infrastructure, parks, public health, real-property taxation, cultural and amenities support and many more. In Monroe County, there was broad support from institutional leaders for county-wide management of many public services that elsewhere are localized at great additional cost; a prime example is how Monroe County achieved a unified public safety and emergency-services dispatch system, while nearby Erie County – notwithstanding massive

investment in technical capability that would make this innovation operable (and optimal) – has not yet achieved such unification.

By all accounts, Monroe County's evolution toward becoming a true regional governance structure came to a halt in the early 1980s, after the failure of a referendum to regionalize police services.

The evolution in Erie County and in other New York counties ended earlier, but was revived in the early 2000s by a policy approach that offered the technical capability of achieving regional or county-level management – even while an unsuccessful parallel effort was undertaken to achieve outright legal merger of Buffalo and Erie County – via the implementation of a new computer system.

The model of how to go from localized, fragmented management to unified regional management via information technology systems is present in two mid-sized cities in Ontario, namely Hamilton and Ottawa.

Without political drama, Upstate New York's urban regions could emulate the Canadians, but this is unlikely for two reasons: first, because of the continuing political power of localism and of intra-enterprise thinking (the city will manage the city, the county will manage the county, the town the town, etc.); second, because unlike in Ontario, the Governor of New York State has demonstrated no understanding of the cost or consequences of fractured governance in Upstate New York.

But today, there is a new urgency for seeking the resumption of Upstate New York's interrupted evolution toward regional governance at the county level.

There are five crises facing Upstate New York:

1. Depopulation
2. Aging
3. Sprawled-out communities
4. State funding cutbacks ahead
5. Bad messaging

This paper will address these issues in detail, and will also lay out some steps that leadership needs to take in order to address them.

The Five Crises of Upstate New York

Crisis #1: Depopulation

A 2006 study by Wharton economists Linneman and Saiz (<http://realestate.wharton.upenn.edu/2006.php>) predicts the following: four of the ten fastest-declining METRO regions, not cities, are in Upstate New York.

By 2020

- a. Syracuse metro area will lose 24.1%, or about 175,000 people
- b. Utica-Rome metro area will lose 31%, or about 93,000 people
- c. Rochester metro area will lose 7.8%, or about 86,000 people
- d. Buffalo-Niagara Falls metro area will lose 10.5%, or about 65,000 people

Other Upstate metro areas will face similar stresses:

- e. Binghamton metro area will lose 35%, or about 46,000 people
- f. Jamestown metro area will lose 35%, or about 49,000 people

Only in Albany-Schenectady-Troy will we see an uptick, a prediction of less than 1% population growth by 2020. Saratoga County's growth may compensate for the collapse of Capitol district counties like Schenectady.

The detail for the Rochester metro is similar: a projected gain of 3.6% (which seems optimistic) for Monroe County, given that outmigration trends of the past half-century continue. But collapse is projected in Genesee County with a 38% drop, a collapse in Wayne of 26%, a collapse in Livingston of 43% and in Orleans of 75%. The Linneman-Saiz model predicts that rural counties near Syracuse (especially Cayuga), Binghamton and Utica-Rome will see similar precipitous declines.

Crisis #2: Aging

A study by the Health Care Foundation of Western and Central New York predicts one-quarter of the population of the Buffalo-Niagara region will be over 65 years of age in just 5 years. (See the CODA Project report at [http://chfwcny.org/Tools/Broadcaster/frontend/item.asp?type=2&size=0&phase=1&lngDisplay=0&jPageNumber=6&strMetaTag=\)](http://chfwcny.org/Tools/Broadcaster/frontend/item.asp?type=2&size=0&phase=1&lngDisplay=0&jPageNumber=6&strMetaTag=)

We know that Social Security income is the main source of income in over 31% of Erie County households today. In the rural counties, this portion is much higher. The presence of such a large portion of the population in the over-65 age cohorts will have profound consequences for the political choices that taxpayers will make, but will also exert significant stress on public resources.

Crisis #3: Sprawl

Aging plus depopulation in a sprawled-out community will have the following results in the year 2020:

- a. Property taxes to pay for basic infrastructure maintenance will be higher, as will sewer rates, water rates and utility rates, because fewer rate-payers and fewer taxpayers will mean that the burden of maintenance will be borne by fewer payers.
- b. Emergency services will be more expensive because with a larger share of the population in the at-risk category of 65 and older, and a smaller share in the age cohorts that supply volunteer EMS service personnel, we will see a necessary move toward professionalization of EMS services – which is more expensive than volunteer. And the EMS will have to go from local to regional or county-wide because

localities cannot generate the revenue or the infrastructure to deal with public health.

- c. The decline in regional school populations will force the Nebraska or Dakota phenomenon upon us: longer bus rides, consolidated school districts.
- d. Sprawl however will continue so long as more housing inventory is created than can be absorbed by the marketplace, and so long as land-use planning remains a town-level power. More subdivisions in a stagnant population mean higher taxes for the remaining population.

Crisis #4: Cutbacks in state funding to local government

This is a very urgent crisis that is about to hit and hit hard. The crisis will come within the next two years in the form of mandated contributions to teacher and public employee pensions, because the New York State Comptroller by law must pay those pension bills, but no longer has Wall Street gains with which to pay. The source of funds will have to include new “contributions” from municipalities – towns, villages and special districts, to be sure, but cities and counties in particular. The GASB-45 rule that came into effect in 2007 has already led to a radical change in the budget structure of many public entities; what is coming, however, is another major jolt to the system, possibly as early as mid-2010, certainly by 2011.

Federal “stimulus” funds will have been distributed to county governments by the end of 2011, but note that these funds have mainly been utilized by county governments to address current-year revenue shortfalls and increased Medicaid payments. Towns, cities and other public entities will not have access to any of these funds – but will have to increase local property taxes in 2010, 2011 and beyond in order to meet ongoing obligations to retirees.

Crisis #5: Messaging

Lastly, there is a crisis in messaging. The business community has opted for a message strategy of calling for tax relief plus calling for tax breaks plus calling for an end to public employment (see the Change NY and Unshackle Upstate campaigns). Because of the enduring political power of public employees, and because of New York State’s obligation to continue to fund various entitlement programs that are (by federal as well as state law) available to the income-eligible, the discourse has become increasingly strident. It has also become self-fulfilling, as business-owners and other persons of means either relocate their assets or demand tax inducements as a condition of their continued operation in New York State.

Sadly, one seldom if ever hears about the massive export of New York State tax revenue to other states; one seldom hears about the positive attributes of a region whose air is clean, whose water is abundant, whose education system produces superior test scores and college graduates, and whose actual comparative cost – once the regime of state- and federal

tax-inducements is calculated – is comparable to other states. The problem with the messaging is that it is not about solutions, but rather about creating a politically advantageous atmosphere for ongoing conflict.

Imperfect responses to the 5 crises

The current approach by local government is inadequate. There tends to be:

1. Enterprise-by-enterprise thinking rather than regional analysis, as if repairing a town budget itself will have a positive impact on a metropolitan region;
2. The new localism: political incentives for status-quo thinking are seemingly permanent, while political incentives for regional thinking are lacking;
3. Local political leaders have not challenged a distant state government to disrupt current local political arrangements.

The recent approach by state government

1. The Spitzer Commission on Local Government Effectiveness and Efficiency: former Lieutenant Lundine and an all-star staff capably identify hundreds of initiatives, but the incumbent governor “receives” rather than endorses the report, and few initiatives are implemented;
2. Secretary of State offers some incentive grants

3. Attorney General Andrew Cuomo drafts legislation to permit local reorganization of special districts, but does not advocate specific policy alternatives.

The recent approach by scholars and analysts

1. Lawyers and political scientists point out the difficulty of doing anything; see Albany Law Review.
2. Politicians talk about the lack of local appetite for consolidation and the fear of big government – i.e., reflecting the status quo of racial isolation and of real estate development interests;
3. Liberals talk about the need for further investment in cities, while conservative talk show hosts promote various schemes to abolish government and hold tea parties
4. Incrementalism: on a recent radio program, one town supervisor endorsed a consolidation plan that would achieve a current-year programmatic cost reduction of 2% and offered that as a significant, behavior-changing tax cut. But to illustrate: on a \$5,000 tax bill, a 2% savings is not worth much. It is not going to change behavior. We saw this in Erie County in 2000, when elected officials reduced the County property tax rate by 30%. The average County tax bill was \$7 per thousand; it went to \$5 per thousand. On a \$100,000 house this was a change from \$700 to \$500, or a \$200 savings. But that same year, the median family natural gas bill rose \$200. The school tax bill rose, the town tax bill rose, the city tax bill rose, and so did sewer and water rates. There

was temporary relief, no coordination and no structural reform.

The monster in the room.

CGR economist Kent Gardner's study of 2004 that shows that at least \$11 billion of downstate money subsidizes Upstate residents. \$11 billion more than Upstate pays in state taxes returns as state expenditures.

The Center for Economic and Policy Studies is undertaking its own review of this phenomenon, and will have a preliminary report by August current through FY 2006.

The fiscal fact – that Upstate New Yorkers are so economically weak that the region is the net recipient of tens of billions of dollars more than the region produces in tax revenue – has not yet become a political fact.

- a. Soon, a politician will point out that New York City residents are paying high taxes and sending billions of dollars West and North to subsidize thousands of little governments
- b. New York City has one police department, one fire department, one school district for 300 square miles. That could become the unit of measure. The 300-square-mile municipality is the title of my next talk.

The opportunity presented by the fiscal crisis

It is time to do some analysis on a metro-by-metro basis.

Either the Governor, the Comptroller or the New York State Legislature could commission a metro-by-metro analysis of population trends, tax base trends and state expenditure trends.

Following the completion of that study by August or September, the Governor could condition all aid to local governments on presentation of a credible plan for intermunicipal restructuring

The Governor could appoint an implementation czar for each region, on the following issues:

- a. Regional or county-wide public safety dispatch – Monroe County has already achieved this. In Erie County, there are 26 PSAPs while Monroe County like NYC has only one. The governor could say “make it so” and it would have to be so.
- b. Regional or county-wide infrastructure management, specifically roads and parks, via a computerized inventory control and maintenance management system. I am available to consult on how to do this because I put one together in Erie County. Why does nobody ever call? Answer: because we have a system

of township highway superintendents. The Governor could say “make it so” and it would have to be so.

- c. Regional or county-wide land-use planning such that no further sewer lines are built or extended anywhere. The State has a \$30 billion clean water infrastructure problem and the state DEC could be the agency that just says no until all the CSO and other Great Lakes water quality issues are dealt with. The Governor could say “make it so” and it would have to be so.
- d. On the expense side, there will have to be a region-by-region review of the adequacy of emergency response infrastructure. Sprawl and fracturing have literally put people at risk of dying stranded in cul-de-sacs. This is a Homeland Security issue. Federal funds for professionalizing EMS services may have to be sought.
- e. Unified renegotiation of public employee contracts state-wide is an option to consider, as is a state surcharge to pay for public employee pensions.

Conclusion

Sustainability is the chief rationale for regional restructuring. Without regional restructuring our urban regions are unsustainable.

I do not see the political will for consolidation occurring so long as our society remains polarized as between older richer white suburbanites and younger poorer city folks of color. I do reluctantly conclude that the practical solution to ending Upstate's self-destruction will have to come from Albany, which currently is subsidizing the illusion that Upstate communities are self-sustaining.

They are already on the dole. Our communities cannot become self-sustaining by continuing to be self-deluding and self-destructive.

Regionalism means survival, not salvation. Localism means continued failure.