Rensselaer County Legislature
OFFICE of the MINORITY
2009 Tentative Budget Report

Introduction

For the first time in seven years, the 2009 Tentative Budget leaves the current tax rate unchanged. While the Democratic minority in the Rensselaer County Legislature is gratified that the rate is unchanged, we are concerned that the Budget ignores the gravity of the current financial crisis by substantially increasing the total tax burden on our County's residents with little or no attempt to contain costs. We are also concerned that there is a serious over-reliance on uncertain funding streams that may produce significant cash flow problems late in 2009.

In the six years prior to this Budget, the tax levy has doubled[1]. It now would increase another 5.6% – not quite so rapid a rate of growth – but still unacceptable. The Association of Counties reports that the average increase this year in spending by counties statewide is only 3.5%.[2]

There is no doubt that county governments have been severely affected by increased costs and by budget and funding decisions at the federal and state levels of government which increase the burden on counties and restrict aid. Nevertheless, counties across New York State must take action to control spending and the size of government in order to avoid passing crushing costs to already overburdened taxpayers.

The Minority is concerned that the Tentative Budget fails to recognize the extreme urgency of our current economic distress. Counties must proceed with utmost caution in the coming fiscal year, taking into account:

- Declining corporate profits
- Declines in investment income
- Sub prime mortgage issues, such as foreclosures
- Declines in consumer spending
- Declining property values
- Bankruptcies
- Stresses on social service programs
- Increased unemployment

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1 In 2002, the tax levy was $26,073,490. By 2008, it had risen to $51,755,000, averaging a 9% annual increase over six years.
2 NYSAC 2008 County Budget Survey

The Rensselaer County Executive's proposed 2009 Tentative Budget does not reflect the fiscal restraint taxpayers should expect during these tough economic times. In fact, there is 7.3 million dollars in new spending. The county tax levy is up 5.6% and calls for collecting $3 million more from county taxpayers. While the average tax rate remains the same as in 2008, thirteen out of sixteen towns and cities will be paying an increased tax levy. In the City of Troy the increase in the tax rate is 13%.

Despite an unchanged tax rate, there will be a greater tax burden on county residents, caused primarily by exploiting growth in the tax base, since there has not been significant new construction. The "growth" is largely the result of several communities in the county revaluing their properties and finding value that was not previously taxed. It also results from a general increase in the relative value of all properties in the county. The budget fails to distinguish between growth in the tax base that is the result of revaluation and that which comes from new growth (construction, expansion and renovation). Accordingly, a higher tax levy imposes a significant new burden on existing taxpayers for the very same property. Yet, what we hear from the County Executive and Republican Majority is the simplistic drumbeat that "there is no tax (rate) increase" – failing to acknowledge the very real impact on residents who will be paying more taxes.

The County Executive justifies the high level of spending by pointing to increased costs of State mandates. She states that "...Social Services spending, including Medicaid, combined with spending for state mandated expansion of our county jail will increase by nearly $3.4 in 2009."[3] She states that she expects a $1 million increase in local Medicaid costs alone. Yet, the Rensselaer County Auditor's Office staff report states that "costs associated with the department of Social Services have *decreased* from $84,596,620 to $83,564,086 in 2009." [Emphasis added.][4]

While most government entities are expecting shrinking revenue streams, the Rensselaer County Executive's proposed 2009 Tentative Budget expects $4 million more in sales tax revenue – a risky prospect. Shrinking revenues coupled with less State aid should compel the County Executive to recommend reduced spending. However, the Rensselaer County Executive's proposed 2009 Tentative Budget:

- Spends $7.3 million more.
- Overestimates revenue streams.
- Exploits new taxable value created primarily through revaluation.
- Creates 50 new positions (33 for jail expansion).
- Fails to restructure or consolidate departments.
- Fails to optimize the use of technology to increase productivity and accessibility.

3 2009 Rensselaer County Budget Message, Kathy Jimino, County Executive; p. 2.
4 Rensselaer County Auditor's Office, Staff Review of the 2009 Tentative Budget, 11/5/2008; p. 4.

- Shows no evidence of performance based budgeting.

It is extraordinarily disingenuous to complain that the State is passing its increased costs to the counties while the county is passing these same costs to county taxpayers without any apparent effort to reduce spending in any significant way.

Revenue

The 2009 tentative budget relies on $4,860,000 in new revenues over and above 2008 amounts. The new amounts are anticipated to come from: increased sales tax receipts, increased mortgage tax receipts, increased fees and increases in the tax base.

- Most of the increase in the tax base (about 85%) is from increases in the full value of existing properties, not from new construction. The real property tax levy has increased by 5.6%. Although the tax rate remains the same as last year, increases in value (which are reflected in the equalization rate) produce a higher tax for most properties. It is unacceptably high in the City of Troy.
- The 5.51% anticipated increase in sales tax receipts ($3,681,000) will almost certainly fail to materialize, since every economic projection for the upcoming year shows severe declines in purchases. In particular, automobile sales have sunk to their lowest levels in years and the price of fuel has declined to almost half its 2008 high.
- The anticipated increases in mortgage recording tax receipts are also unlikely since home sales have slowed considerably. Third quarter home sales are off 13.87% from the same period last year and the median price has declined 3.31%. Homes are on the market an average of 34.33% longer than during the same period last year. Yet, the budget anticipates an increase of $250,000.

Overestimates of revenues, together with an inadequate unappropriated fund balance, is a recipe for a year-end fiscal disaster in 2009.

Taxes

If expenditures were reduced across the board by a mere 0.9%, all increases in the proposed tax levy could be eliminated, greatly reducing the burden on our county residents.

The County Executive this year asked for a tax anticipation note, expecting cash flow problems in the last few months of the year, because the fund balance was dipping dangerously low. It can be expected that the 2009 budget will exacerbate a shortfall problem by failing to augment the unappropriated fund balance.

Taxes are inequitably allocated among the communities in the county. Currently, they are allocated based upon the full value of all taxable properties in each community relative to the entire county. However, some communities have a much higher proportion of residents with county exemptions from tax than others, resulting in their bearing a much higher proportion of the total tax levy. Taxes should be allocated proportionately according to each community's equalized taxable value after any county exemptions are deducted from the taxable value, not before the deduction of exemptions. This single step would save Troy taxpayers $100,000.

Appropriations

The Minority is concerned about the use of the annual appropriation for Chamber Renovation. This fund appears to be used primarily for transfer to other lines in the budget and not for renovation purposes. As a capital fund, the amount should be preserved for its stated purpose or eliminated.

The Minority also objects to the perennial excuse that the County is required to spend for State mandates. In fact, the County exists as a governmental entity for the purpose of discharging mandated State responsibilities which are better handled at a local level and primarily funded through the property tax. Although there is frequently validity in objecting to the imposition of new and additional unfunded mandates, it must be noted that the State does not generally require the spending of a particular sum and certainly does not require wasteful and inefficient spending. The fact that the 2009 Tentative Budget expends almost 90 cents on the dollar on State mandates is not an excuse; it is a failure.

We are pleased that the Majority Report[5] recommends discontinuance of use of the Chamber fund for community grants, although the rationale for the discontinuance of this practice, based upon a lack of funds due to State mandates, appears to be inconsistent with the reason cited for the use of these same funds in the past. As noted in the report of the County Auditor,[6] contractual expenditures must be listed in the Budget. It is also noted that no expenditure may legally be drawn from an appropriation line chargeable for a different purpose.[7] Although the community grants and other purposes for which the Chamber fund has been used in the past may be laudatory, the practice amounts to a political slush fund and is highly questionable. All expenditures by the Legislature should be charged to an appropriately established account and should receive legislative review.

Recommendations

The 2009 County Budget should reflect difficult and deliberate choices which provide long-term budget savings without cutting benefits or services to those in need.

5 Budget and Finance Committee Report on the Tentative 2009 Rensselaer County Budget, p. 13.
6 Rensselaer County Auditor's Office, Staff Review of the 2009 Tentative Budget, 11/5/2008; p. 10.
7 County Law, §362(3)

The Democratic Minority recommends:

- Eliminating the proposed 11% increase in spending in the County Executive's Office.
- Imposing a 0.9% across-the-board spending cuts on all departments.
- Eliminating all non-mandated newly created positions in 2009 Tentative Budget.
- Cutting all non-essential positions among the 33 vacant but funded positions in the 2009 Tentative Budget.
- Rescinding all pay raises for elected officials provided in 2006.
- Ending all non-essential/non-mandated travel or use of county vehicles by elected officials and employees.
- Ending all non-essential publications and mailings to constituents.
- Appropriating the chamber renovation fund to reduce tax levy.
- Offering a health insurance buyout incentive to reduce county health insurance costs.
- Forming a committee to consider restructuring and reducing the size of the Legislative Board to eliminate unnecessary positions.
- Exploring sale of county-owned property, including the Signal Station in Troy, which may now increase in value due to the relocation of the Troy City Hall.
- Exploring use of shared services.
- Eliminating the Chamber Renovation Capital Fund.
- Increasing the unappropriated fund balance to sufficient levels to eliminate year-end borrowing.
- Adopting a 3-year budget projection that takes into account as many variables as can be reasonably predicted to help guide fiscal decisions to pursue over the coming period.