

The Second in a Series of Reports:

*Accelerating the
Local Governance Dialogue
In New York State*

Municipal Leaders
Talk About...

*Governing
New York's
Communities*

2nd Edition

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Governing New York's Communities
2nd Edition

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INTRODUCTION

Strike up a conversation about local government issues with public officials, or business and civic leaders in New York, and talk will soon turn to money matters. For these individuals, the fiscal issues and options for municipalities eclipse other concerns as a source of immediate worry and a focus for action. There are good reasons to worry—property taxes are high, local debt is growing, and most municipalities see increases in the cost of health care, wages, retirement benefits, and now fuel. Using the common yardstick for fiscal stress—a government running structural deficits and nearing statutory property tax or debt limits—a disconcerting number of municipalities are in difficulty. Some experts speculate that an adverse economic event could trigger a fiscal train wreck, or that one is in fact already occurring, as more local governments run into severe fiscal problems.

The governance environment in New York is exceedingly complex and will require a sustained public dialogue to understand its features and build some consensus about what should be done.

Fiscal issues are not the only problems to address, though being responsive to urgent fiscal woes is absolutely necessary. While we take remedial action, there is concern that the *urgent* not push aside the *important*. The *important* in this case is having a governance system that is fair, nimble, productive, and well aligned with our resources and needs. This suggests that we should not, and probably cannot, try to fix the fiscal problems of municipalities without addressing the underlying issues and forces that produced them, or without thinking about what we want our system of local governments to look like.

The Need for Dialogue

This is no small task; it demands the attention, participation, and insight of citizens and officials. The governance environment in New York is exceedingly complex and will require a sustained public dialogue to understand its features and build some consensus about what should be done. A good conversation will draw out details known only to a few, encourage public reflection and assessment, and help build a collective view of the problems to be tackled. The dialogue is likely to be more effective if guided and informed by an objective but critical view of what constitutes a healthy local government system.

About the Local Governance Dialogue Project

The *Local Governance Dialogue Project* began in 2005 to foster sustained dialogue among public officials and citizens in support of a broader understanding of governance issues. The project partners initiated the dialogue by conducting extensive interviews with a cross-section of subject matter experts and stakeholders in local government. Their ideas were summarized and reported in *Government, Business, and Civic Leaders Talk About...Governing New York's Communities*, the first report in the Local Governance Dialogue Project series. The report helped establish a baseline of critical issues that provoked discussion in subsequent conversations.

Taking the Conversation to Local Officials

In recent months, the Local Governance Dialogue Project turned to local government leaders to expand the conversation. The project team held regional discussions and conducted interviews with more than 40 local officials (2). Our sample of local officials was drawn from rural, suburban, and metropolitan regions. The participants served in cities, counties, towns, and villages, but were not necessarily representative across other population characteristics. More than half of the officials involved held elective positions in local government.

Only a few participants in each region were from governmental units with large and sophisticated staffing. Many earn small salaries serving as village mayors or town supervisors. As a group they were skilled, articulate, passionate, reasonable, and broad thinkers who demonstrated an impressive quality of leadership.

Our local experts were not afraid to disagree; in fact, some of the best conversations arose from clashing views—as when local officials took different sides in discussing union issues and mandates. They took positions on some subjects that surprised us and put some new ideas into play.

About the Report

In this report, we summarize the views of officials taking part in the second round of the dialogue, and highlight similarities and differences among the views expressed by participants in both rounds. As with the first report, sharing these views is not a claim to truth or signal of agreement, nor is it a claim that the views expressed would be consistent across a broader sample of local officials. We hope, however, that the views collected provide a sense of the complexities local governments face, and the breadth of expertise that can be brought to this topic as further dialogue occurs.

In the second round of the dialogue, we expected to hear different perceptions of the important local issues, given that participant groups were drawn from different populations. Participants from the first round were State-level policymakers, scholars, officials from State, regional, and local government, and stakeholders involved in the day-to-day operations of local government. Participants in round two were exclusively local government officials who considered issues from their frontline perspective, sketching fresh new details onto the local government landscape.

This report is divided into four sections. The first summarizes the dominant themes from the regional conversations. The second section contains a discussion of the findings that connect both rounds of dialogue. In the third section, we share the fresh ideas that emerged from our conversations with local officials. The final section of the report lays out the detailed findings from the second round of dialogue. We conclude by stating next steps as we envision them.

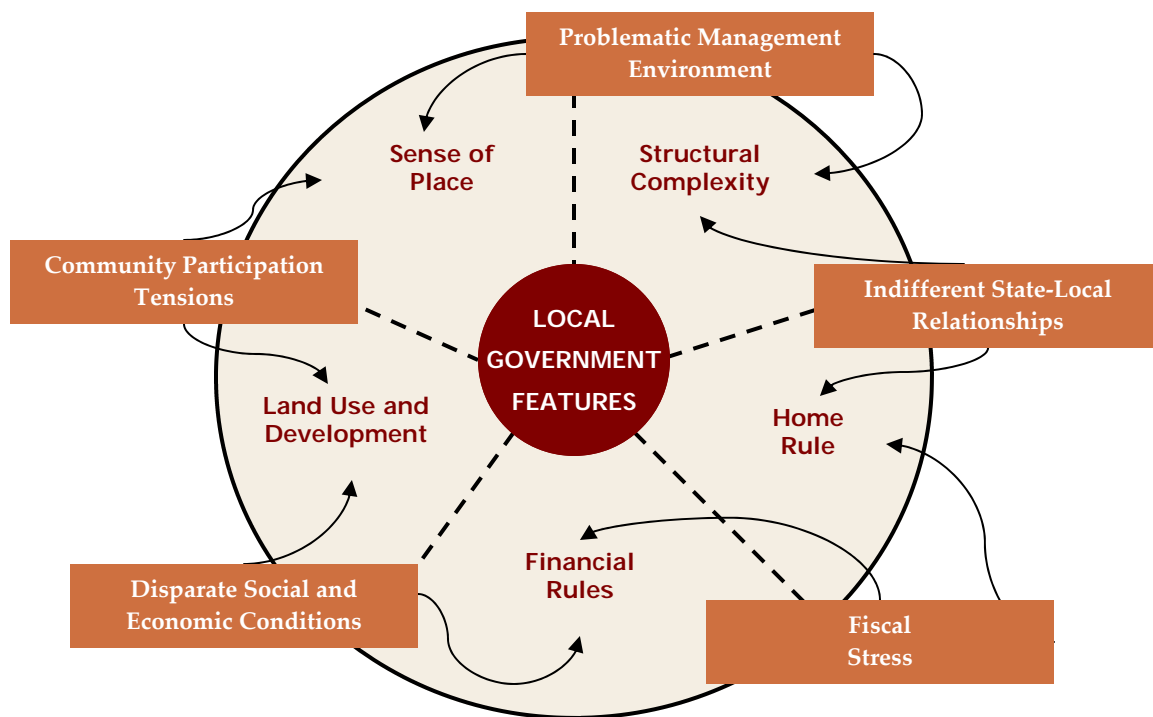
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FINDINGS FROM REGIONAL CONVERSATIONS WITH LOCAL OFFICIALS

In the first round of the dialogue, content experts focused on the broad forces affecting the state, discussing local government fragmentation, state-local relationships, and the potential for fiscal meltdown in municipalities. The key issues facing local governments, from their perspectives, are shown in Figure 1.

FIGURE 1

Key Issues Defined by Content Experts

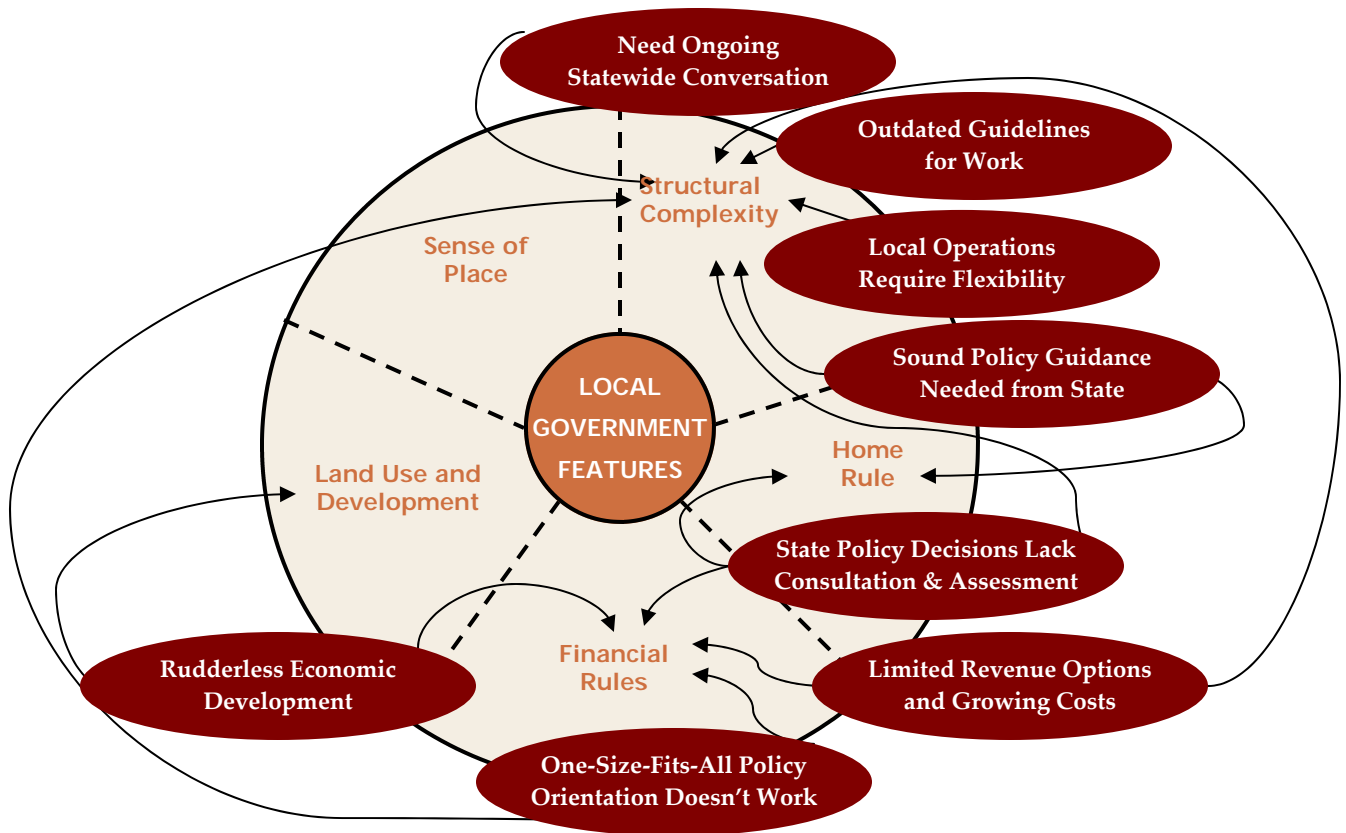


Local government participants in the second round were more grounded in the day-to-day challenges they faced, as shown in Figure 2. Officials agreed that they need:

- Regulations that permit flexibility in management practices
- Greater cooperation and communication across municipal boundaries
- Government control that is more sensitive to local feedback and geared toward shared assessment of policies and plans
- State-level policies that account for the great variety in local conditions and support healthy variation

FIGURE 2

Key Issues Defined by Local Officials

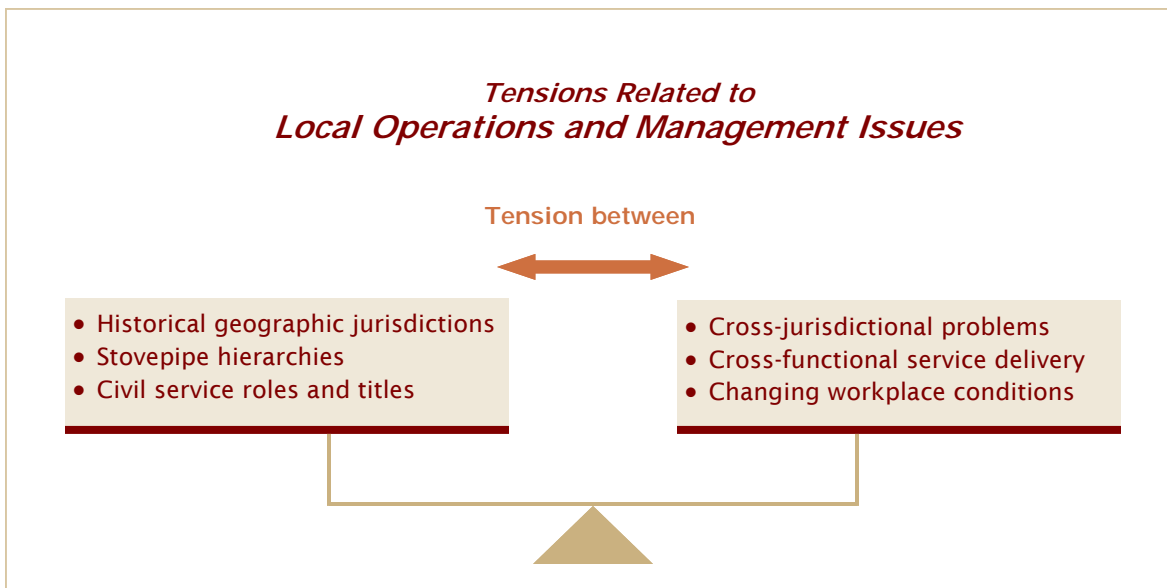


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Need for Flexibility, Cooperation and Communication

Managing local government operations was a relatively stable and predictable enterprise for many decades. Not so anymore. Taxpayers and State leaders have greater demands and expectations for municipal leaders and services. The pace of change for local governments can be breathtaking at times and the level of complexity grows steadily. Unlike many respondents in the first round, participants in the second round thought that most local leaders were up to the challenge. In the view of these public officials, they need the tools and flexibility to respond to changing conditions, and communication and cooperation networks to share information and insight.

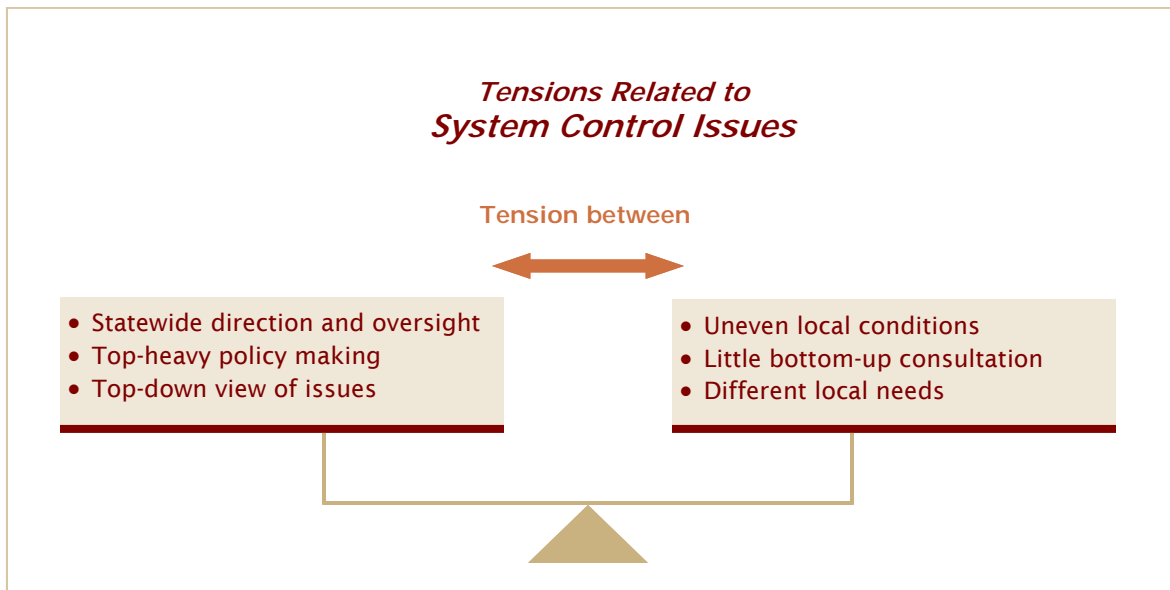
- Officials see the need for cooperation across jurisdictional boundaries. With limits on resources and growing expenditures, they must share information and insight with colleagues in neighboring municipalities, form cooperatives, and share burdens for service delivery where feasible. Though officials have a renewed interest in cooperation, they defend the public's desire for close connections to their local governments.
- Local officials perceive great value in sustained dialogue across intermunicipal boundaries to exploit the energy and expertise that leads to change. In their estimation, effective intergovernmental relationships foster healthier municipalities and regions.
- Local officials viewed restructuring the civil service system as pivotal to their ability to respond to changing conditions. Current civil service restrictions tie their hands and limit opportunities to employ staff efficiently in the conduct of local operations.



Need for System Feedback and Shared Assessment

Coherent systems require integration. Local officials described the present governance system as one in which the points of control, including the Legislature and executive agencies, were disconnected from municipalities. As evidence they pointed to policies that emerge in piecemeal fashion, decisions short on analysis and consultation, and state-local relationships that undermine entrepreneurial initiative. Like the content experts we spoke with in the first round, local officials underscored the need for improved state-local relations if progress is to be made.

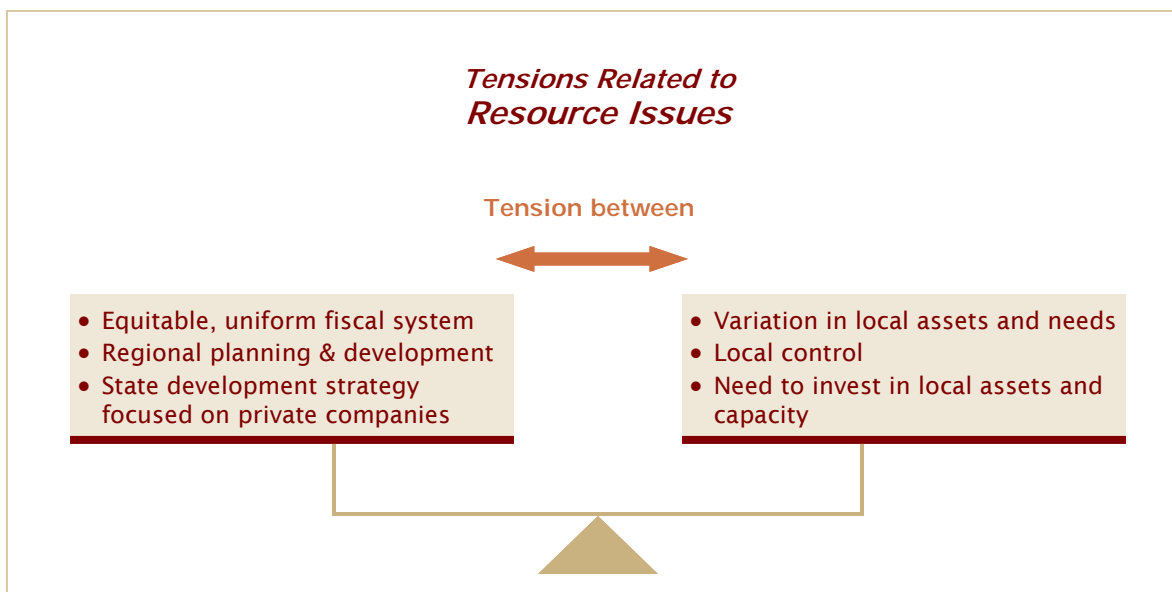
- Officials proposed that the State communicate changing policies and procedures to local governments early in the decision-making process. This must be coupled with a reliable feedback system to gather input on policies that affect municipalities.
- Local officials perceive that current practices are influenced by a widespread confusion about responsibility and leadership in intergovernmental relationships. This is a deficiency that must be addressed at all levels of government and community.
- Local leaders expressed their need for an integrated policy focus on matters that require local action.



Need to Support Healthy Variation

New York is a large state with significant cross-regional and intra-regional variations among municipalities of all classes. Differences in demographic profile, geography, operational capacity, economic vigor and population distinguish these communities. Local leaders described the network of local governments in New York as a complex system with *essential* variation, differences that are welcome and necessary for the health of the state. However, local leaders found that policies, rules, and structures of governance tend to produce uniformity, and seem oriented toward a unitary view of municipalities.

- Local officials suggested that economic development policies, environmental rules, and incentive programs should take into account differing regional and local conditions. The State should exploit the diversity that exists among regions to support novel and path-breaking enterprises.
- Local officials requested that State policymakers create conditions that foster coordinated approaches to economic development, which will respect and fit with regional and local circumstances.
- Municipal managers seek the flexibility and tools they need to balance revenues and expenditures based on specific municipal circumstances.



CONNECTING THE FINDINGS

Each round of the Dialogue Project has been captured in a set of themes. In the first round, participants discussed local government fragmentation, the deepening fiscal stress among municipalities, and general uncertainty about the economic future for local governments as major areas of concern. They identified the growing complexity of local management and the State's inconsistent leadership role vis-à-vis local governments as factors linked to these areas of concern. In their view, indifferent leadership spans fiscal and program policymaking, grants-in-aid, and incentive mechanisms, producing a lackluster and problem-ridden local governance system.



Local officials in the second round discussed the need for the State to invest in and guide the local governance system, recognize the variety of local assets and conditions that exist, and gauge rules and incentives appropriately. Local participants confirmed the first round view of an indifferent State, but spoke of operational limitations and inefficiencies it produces, and their sense of rudderless drift.



How do the observations of these groups, chosen from different populations, connect in their attribution of symptoms and underlying problems? As shown in Figure 3, we found that both groups attribute the current governance situation to differences in what our local government system was designed to support and accomplish, and the demands of our current conditions.

Outdated Definitions

Municipalities, for example, have service responsibilities and revenue generating options defined by outdated jurisdictional models. Respondents in both groups pointed out that historic, and relatively static, models of towns, villages, and cities have little in common with the size, complexity, wealth, or service needs of contemporary municipalities. In their collective view, the old models do not account for existing variation and diverse needs we can expect over time, and do not provide flexible options to support diverse community needs and interests.

Central Control

Both groups understand that our local government system originally achieved oversight by means of central controls and uniform standards. Content experts noted that as local government management and issues grew more complex, and central controls were no longer sufficient, the State created functional silos to manage service delivery issues and standards. Local officials perceived that the State's continued reliance on old system regulations and uniform standards constrain whatever flexibility they might otherwise have at the margins of their operations.

Obsolete Fiscal System

A similar theme developed between the rounds of dialogue on fiscal management. Tax policies, fiscal relationships, and revenue generating capacity were defined in previous eras. To the degree that they cause problems or fail to deal with current exigencies, State policymakers employ temporary, incremental, or piecemeal solutions rather than change core practices or policies. As examples, the content experts noted that we continue to use the property tax as a significant revenue stream in municipalities, yet it has not been an appropriate measure of wealth for decades. Local officials and some content experts felt that the State made few allowances for revenue growth in strapped municipalities.

Need for a New System

Both sets of participants observed that the current local governance system is focused on an outdated and somewhat rigid view of municipal responsibility and function. State-level actors in the system have achieved oversight through central control, approached fiscal management incrementally, and managed service delivery issues and complexities by compartmentalizing functions. In contrast, our respondents perceived that municipalities and conditions continuously change, suggesting that a more appropriate system would (1) create the conditions for sound policy and program execution, (2) permit adaptation and flexibility, and (3) value and leverage its inherent diversity.

The connections raise important new questions. What are the tensions inherent in these contrasting perspectives? What bearing might these have on system governance? How can we create a dialogue process so that stakeholders across the system can discuss new forms for decision making and generate new patterns of activity?

“There’s no integrated thinking. It’s all silo thinking. If we’re economic development people, we think about economic development. If we’re social service people, we think about social service. There’s no global vision.”

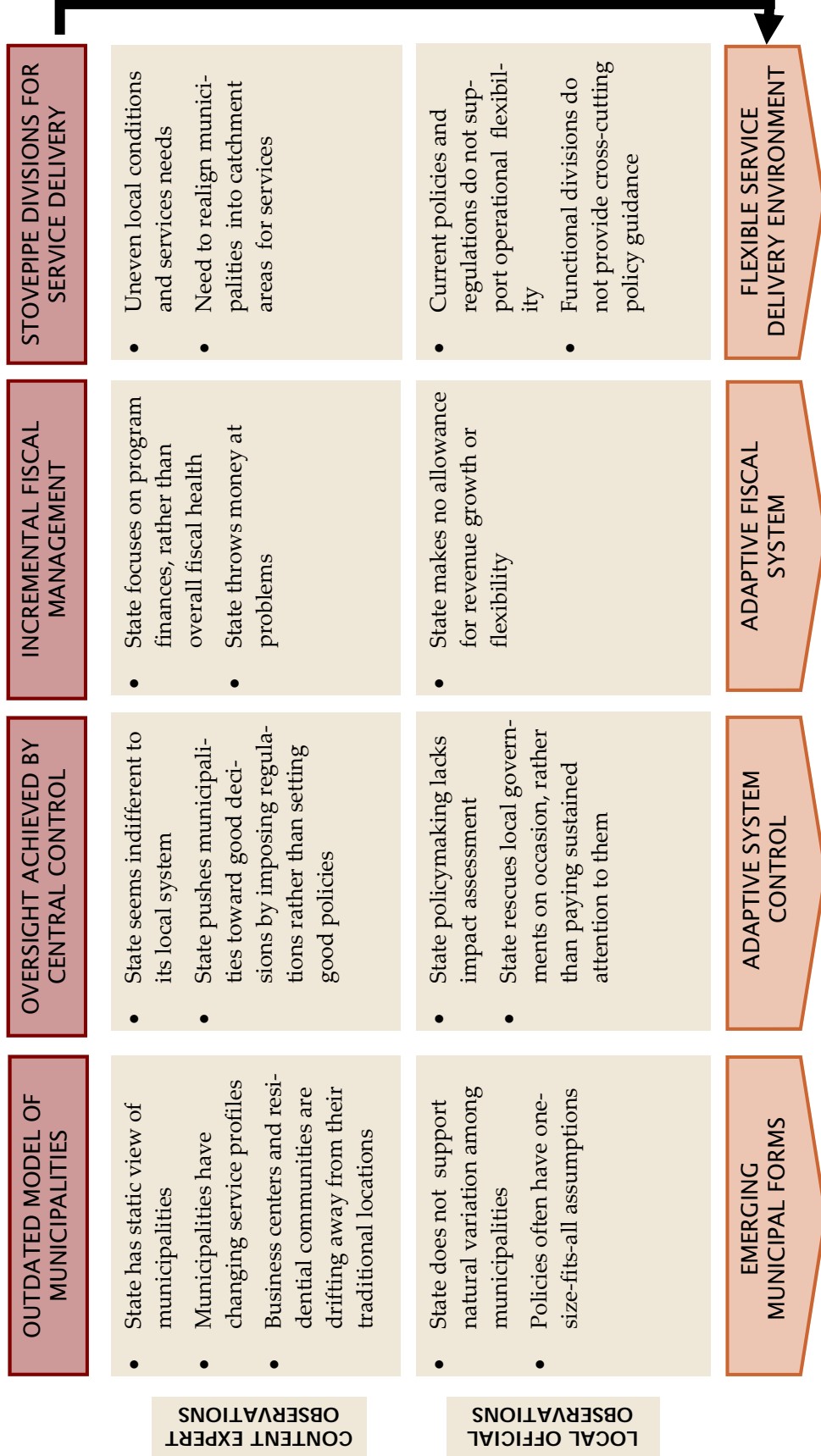
*Comment from
Local Official*

FIGURE 3

Connecting the Findings

This diagram shows how issues identified by each round of dialogue participants connect. Both groups see striking differences between what our local governance system was designed to support and accomplish, and the current governance system needs.

CURRENT GOVERNANCE FOCUS



FUTURE GOVERNANCE FOCUS

FRESH IDEAS

Most local government representatives we interviewed wish to overcome what they perceive as an unhealthy relationship with the State. They want to engage in meaningful dialogue both with their local counterparts and State officials, experiment in order to improve local government management, and work with State representatives to develop more sensible processes for policy development and decision-making.

Four ideas to achieve these goals that we found interesting and fresh are summarized below.

Establish Consortia of Local Governments

Public officials expressed interest in forming affiliations or networks of local officials to foster the continuous exchange of best practices, promote cooperative activities, and provide a locus for state-local dialogue that departs from the current advocacy-driven arena. State administrative support for such a mechanism would facilitate its early growth.

“Agencies adopt regulations with no sense of what the consequences are for the locals. Too much time is spent reacting to regulations and laws with unintended effects.”

*Comment from
Local Official*

Create a Single Point of Contact for Intergovernmental Dialogue

Local officials must negotiate a thicket of agencies and legislative committees to participate in the development of policies and procedure that affect municipalities. A single point of contact at the State, with responsibility for tracking new developments, notifying municipalities of contemplated proposals and changes, and seeking feedback from local governments would help provide a logical nexus for local and State officials.

Build Formal Feedback Mechanisms

Opportunities for reviewing proposed legislation before enactment, when the legislation is likely to affect local governments, would help legislators and municipalities avoid costly unforeseen consequences of many policies. Consultation helps avoid the conflict and inefficiencies inherent in fixing flawed policies, and, more importantly, helps prevent the development of State policies that inadequately address differences in local conditions.

Innovate with Local Government Demonstration Projects

Allow local governments to relax selected fiscal, personnel, and other regulatory constraints as negotiated experiments overseen by State representatives and administered by local government agencies. Such trials might yield worthy solutions for municipal problems, and allow officials to measure the potential impact of proposed changes on local government operations before scaling up implementation.

FINDINGS IN DETAIL

We should not, and probably cannot, try to fix the fiscal problems of municipalities without addressing the underlying issues and forces that produced them, or without thinking about what we want our system of local governments to look like.

Management Issues

- Outdated Views on the Nature of Work
- Interest in Regional Cooperation, not Consolidation
- Competent Local Leadership

Governance System Issues

- Statewide Control Lacks a Systemic Focus
- Unproductive and Subordinate Relationship with the State
- Need for Assessment and Consultation
- Need for Ongoing Statewide Dialogue and Local Conversation

Healthy Variation

- Not a One-Size-Fits-All Environment
- Inflexible Revenue Options and Growing Expenditures
- Rudderless Economic Development

Management Issues

Outdated Views on the Nature of Work

In the first round of the Local Governance Dialogue Project, respondents expressed concern about the increasingly complex nature of municipal management and the ability of local government officials to cope. Local leaders interviewed in the second round expressed confidence in the *capacity* of most public officials to deal with complexity, but were less sanguine about having the *flexibility* to deal with a complex work environment. In particular, these officials described the constraints and limitations of the civil service system as one of the most frustrating management issues they face. The problems stem from the mismatch between the framework and rules of the current civil service system and the nature of 21st century work. The characteristics of the jobs that municipalities need to fill are changing faster than civil service rules and processes.

There are several accelerants at work. Technology innovations continue to transform routine tasks, affecting how quickly work is done, what tasks can be combined, and who is capable of doing it. As a result, the nature of work, task sets within jobs, and workers' skills are changing. The pace of change and variability of roles defy civil service classifications.

In these more fluid work environments, individuals have opportunities to become skilled in nontraditional ways. Because civil service requirements are biased toward formal training and experience, it is difficult for municipalities to hire skilled individuals who may be well suited to the job. Making matters worse, municipalities are hampered in promoting proficient staff whose preparation is non traditional, or who acquire new aptitudes as a result of changes in their work assignments.

“Local governments would benefit from understanding how to create consortia—show us how to do it.”

*Comment from
Local Official*

Local officials told us that their efforts to downsize staff contribute to their civil service problems. As positions are eliminated, municipalities tend to integrate the important tasks into new job configurations. These new positions are not reflected in civil service job titles and the system is not nimble enough to respond to staffing needs. Often, a municipality may need a person capable of doing bits and pieces of jobs once done by several people, or may need employees to switch between jobs. Civil service rules and processes make it difficult to redesign positions to reflect these new requirements.

Local officials also point to the traditional arrangement of managers and subordinates built into the civil service system as a constraining factor. As local governments downsize the workforce to control costs, employees need to work across organizations in ways that do not look like the old hierarchy. This new way of working changes job classifications and requires adjustments in promotional titles.

In the view of a majority of local officials, civil service inflexibility makes it extremely difficult for municipalities to be responsive to changing fiscal conditions to reconfigure positions or move staff to suit their needs.

Interest in Regional Cooperation, not Consolidation

Unlike many first round participants who observed that local government consolidation might be essential (albeit politically problematic), most local leaders in the second round of the dialogue voiced skepticism about the merits of consolidation. In their view, the evidence that consolidation saves money is scant, and without it there is little reason to pursue such a potentially divisive course.

Local officials did, however, register a renewed interest in developing regional relationships and *voluntary* intermunicipal networks. Although they framed their interest as looking for ways to cooperate generally, they were very serious about having a specific forum in which they could learn to be supportive partners. A number of local officials suggested that the State help to energize the building of collaborative groups and networks. As the regional conversations progressed, participants heard other officials describe ad hoc government consortia focused on purchasing insurance or consolidating assessment services. These served as examples of the kind of cooperative relationships officials seek for their own communities.

At nearly every meeting, the discussion turned to the need to work on issues that communities in a region have in common. In particular, there was broad agreement that economic development only made sense at a multi-county, regional level, where collective assets, character, and geography produce a greater impact.

Officials in Buffalo told us that their water system was a good example of a regional asset. The system is too big for Buffalo's shrinking population and maintenance of the system is going to become a problem. The water system is a real regional asset that might be a selling point in economic development. But for now, there is no cooperative body capable of fostering the relationships needed.

Interestingly, many participants also expressed a parallel desire for a board-of-supervisors form of county government. Participants noted that a legislative body comprised of supervisors has members who live with local problems every day. They understand the issues intimately, and are less likely to hit a saturation point in dealing with countywide problems than part-time legislators. Furthermore, serving on a board of supervisors helps local government managers think more in terms of partnership in regional governance, and less in terms of competition with surrounding jurisdictions. In the regional meetings, participants from counties with boards of supervisors reported a higher level of cooperation around difficult issues than those with other forms of county governance.

Local leaders stated that cooperation is often hindered by technical and structural circumstances. As analytic capacity is necessary to identify and craft cooperative services arrangements, participants expressed a desire for more incentive-based technical assistance programs. We also heard that there is a need for someone outside the local government system to promote such agreements, and support progress.

“Everyone has a good theory [about consolidation], but no one can put the numbers on paper to demonstrate its validity.”

*Comment from
Local Official*

“A Board of Supervisors has clear advantages — supervisors live with the whole constantly.”

*Comment from
Local Official*

Competent Local Leadership

In the first round of the dialogue, participants worried about the capacity of local government officials to handle the increasingly complex challenges of governance. In contrast, the local officials we interviewed felt that most local government officials and administrators had a handle on the complex issues of government. Where some communities were likely to be disadvantaged, in their view, is in the cost of recruiting strong professional managers. These skilled professionals are often paid significantly higher wages in the private sector. Nonetheless, rural officials from three different areas of the State acknowledged that they were able to recruit very competent individuals at the local pay scale because of the general shortage of professional jobs in upstate rural communities.

The officials we interviewed in the second round also considered the local nature of much of New York government to be a source of strength for municipalities rather than a weakness. They cited the accessibility of administrators and their strong grasp of local conditions and issues. While the interests of vocal minorities were often viewed as a problem, local officials felt that their natural networks of contacts within and across communities helped minimize the impact of groups focused on single interest issues.

Local Management Issues	
Comments from Content Experts <i>Round One</i>	Comments from Local Officials <i>Round Two</i>
Increasing complexity of local governments makes management more challenging.	Local management is made more complex as a result of the outdated structure of the civil service system and obsolete view of work.
Fewer local leaders may be prepared or capable of meeting the challenge.	Local capacity is adequate to meet the challenges for now, but fiscal problems ahead may outstrip their ability to cope.
Municipalities may be disadvantaged by social and economic conditions and demographics in hiring high quality professionals.	Potential for being priced out of hiring qualified professionals in regions with strong labor markets.
Leaders must be able to balance the greater good against the interests of a vocal minority.	Local officials who build stable constituencies can mitigate the influence of special interests.
Local officials need guidance on effective practices and policies for the development and use of local assets.	Local governments would benefit from forming voluntary regional networks to work on mutual problems.

Governance System Issues

Statewide Controls Lack a Systemic Focus

The majority of local officials we interviewed expressed frustration with their relationship to State policy makers. Their views echoed views expressed by our first round informants. Each group noted that the State has the responsibility to manage the local governance system, yet State actors provide little indication that they are focused on the health and well being of that system.

Participants in this round recognized that the current political environment contains few incentives for either State policymakers or communities to act in ways that are beneficial for the long-term economic health of those communities. At the same time, they are disappointed that State policymakers seem to exhibit little sensitivity to local pressures and little awareness that State-level decisions often have substantial impacts on local governance. Local officials see this expressed in piecemeal approaches to policy decisions, sudden retreat from prior agreements, political interference, and sporadic imposition of mandates without careful impact assessment.

Piecemeal Policymaking

Local leaders expressed impatience with the piecemeal nature of policy-making in the State, which they see as symptomatic of a general inattention by the State to governing the whole system. In the first round of the dialogue, participants articulated a need for an integrated long-term focus to deal with chronic problems that keep getting worse. The State, in their view, was disposed to short-term thinking and incremental policymaking. Local leaders describe this tendency as a piecemeal approach to local problems: mandates without support, infrastructure development opportunities without sufficient long-term technical assistance to take advantage of them, pressures for cooperation without incentives, policies that respond to non-existent problems, and a haphazard regulatory approach to issues that do arise.

Walking Away from Agreements

As in the first round of dialogue, where participants criticized the State for retreating from aid to cities and revenue sharing requirements, in the second round we heard that the State walks away from other agreements that are hardwired into local fiscal planning. One example offered concerned regions with substantial revenues from tourist and business-related visitors. Some municipalities earn revenues through a share of the hotel/motel tax, a deal originally set up as a recovery program. At one point, the State Legislature sought to cut the tax share to locals in half and placed the money in the hands of advisory groups to fund museums, an expense category already covered in local budgets. In the view of local officials, the State does not seem to realize that, because of limited resources, localities are plugging budget holes with every available dollar. When the State moves, cuts, or changes these revenue sources unilaterally, it creates a whole new set of problems for municipalities. This is also true of legislative decisions to make laws retroactive. Such actions throw local fiscal planning into disarray.

“There is a lot of pressure to live for the moment. We need to have more long-range thinking and planning.”

*Comment from
Local Official*

“The pork barrel system in New York State is totally disgraceful. Projects are not decided on the merits, but on your representative’s influence in Albany.”

*Comment from
Local Official*

Influence of Politics

Politics intrude in local affairs in ways that do not produce or promote a healthy governance system. Local officials noted that policy makers are not rewarded for acting in ways that support comprehensive and coordinated control of the local governance system. Instead, representatives earn support for rescue efforts, either by 'bringing home the bacon' in support of particular projects, or by engineering occasional financial bailouts. Moreover, they agreed that key policy agreements are forged between State-level representatives and interest groups that are not primarily concerned with local issues.

Participants also discussed the problems created by overlapping and inconsistent municipal, county, assembly, and senate district boundaries. These boundaries slice across municipalities in ways that thwart community and regional level decision making and cooperation among municipalities. The local government officials we interviewed, like several participants in the first round, recognized the potential for new governmental service and planning organizations that were better aligned to geographic, economic, demographic, and political boundaries, while maintaining local input, response, and focus.

“There is a pervasive attitude that the State will tell you how you’re going to run your operation.”

*Comment from
Local Official*

Impact of Mandates

While several first round participants identified unfunded mandates as a key local government issue, second round participants held a more nuanced and balanced view of the issue. Local officials noted that mandates are necessary to community quality of life, but need to be more thoughtfully adopted and supported by the State.

For instance, recent changes in requirements for firefighter training were made without considering, or in spite of considering, the impact that the changes would have on all-volunteer companies and municipalities. The new qualifying requirements for new and experienced volunteer firefighters are more difficult and involve more hours of training. Coupled with a growing reluctance on the part of employers to allow volunteers to answer calls, and the shrinking number of young adult volunteers in towns and rural areas, the continued existence of volunteer fire companies is in doubt. Municipalities that face financing professional firefighting services realize that it will be an expensive transition, which may be untenable for many.

Participants reminded us that the impact of mandates extends beyond requiring specific operational processes. A large portion of municipal budgets is tied up in infrastructure costs and the provision of traditional services, which are often governed by mandates. Participants observed that recent mandates on water sprinklers, voting machines, and wastewater treatment appreciably increased local spending.

Another mandate local officials frequently mentioned is the Wicks Law, which requires municipalities embarking on public construction projects costing more than

\$50,000 to use separate contractors for plumbing, electrical, and HVAC systems. These requirements mean that governments pay far more for public buildings than the private sector pays for similar construction. The cumulative impact of the various categories of mandates, coupled with the costs for traditional services and infrastructure, leaves a thin margin for discretionary spending. When budget cuts are required, the resources necessary to properly provide services are depleted. In addition, resources that might fund infrastructure improvements and potentially generate future economic development are sacrificed.

Binding Arbitration

Officials from cities and counties spoke of their deep frustration with the binding arbitration process. Cities are more likely to be affected because of the concentration of staff in police and fire services, occupations covered by binding arbitration. Officials from these units of government note that binding arbitration has the feel and the impact of an unregulated industry, and promotes an atmosphere of conflict rather than cooperation.

To illustrate the situation, they compared the way binding arbitration is handled in New York to that of many other states. Arbitrators in other states are presented with plans from each side of the bargaining table and must choose between them. In contrast, an arbitrator in New York can craft an agreement and insert provisions of his or her own design. Since these decisions are binding, there is no recourse except to claim demonstrable ineptitude or malfeasance on the part of arbitrator. The obvious problem here is the capacity of the arbitrator to understand and anticipate the consequences of their decisions over time. Some local officials referred to the practice as social or fiscal engineering by outsiders. As a result, these officials claim that recent agreements are costing significantly more than the core demands of the negotiating parties. Officials also suggested that arbitrators in some regions embed themselves into the final agreement so that they will continue to be called on to arbitrate future problems that may arise.

“In arbitration, you can end up with an outcome neither of the parties advanced.”

*Comment from
Local Official*

Unproductive and Subordinate Relationship with the State

Local officials told us that they view their relationship with the State as disconnected, subordinate, and frequently unproductive. They depicted the State as more likely to bail out municipalities than provide tools and guidance that encourage fiscal maturity. Participants noted that a rescue-driven approach is easier to adopt since it does not require sustained attention.

Participants agreed that State-level policy decisions can affect local fiscal behaviors in negative ways. They observed that the use of legislatively backed one-shot bailouts, coupled with the lack of State fiscal discipline, sends the wrong messages—municipalities don’t need to live within their budgets, and State policymakers are not serious about solving the fiscal issues facing the State as a whole. As a result, the general behavior is not to look for comprehensive solutions, but to be content with band-aid approaches.

“The biggest division in the state isn’t Republicans and Democrats, but state and local government.”

*Comment from
Local Official*

Such thinking can be seen in situations when local debt limits close in. An option sometimes used to sidestep the limits is to create an authority and shift the costs to that entity. In a similar vein, some officials we interviewed felt the establishment of special taxing districts both undermined the rationale for political subdivisions and stopped any pressure toward cooperation, consolidation, or annexation of municipalities.

Participants also noted that sporadic political interference in local decisions confounds community decisions and municipal planning. One official described a situation illustrative of this point. His community decided to require that proposed new structures have a ready water hookup before issuing permits to build. The official noted that the requirement was one piece of the community’s plan for managing growth and infrastructure costs. In this case, State legislators intervened on behalf of favored constituents, compromising the infrastructure and development plan.

Need for Impact Assessment and Consultation

Local government managers discussed their concern that policymakers are not paying attention to the big picture and may not regularly engage in careful research on the consequences of policies. Like participants in the first round who criticized State policymakers for failing to systematically review the costs and outcomes of policy decisions, local officials also discussed the problem of inadequately considered, and difficult to reverse, policies adopted by lawmakers.

Respondents provided an example that makes clear the problems they tend to encounter. A few years ago the State Legislature amended the agricultural districts section of the Agriculture and Markets law to allow landowners to petition their county to join a district at any time. There are certain benefits to joining an agricultural district, such as protection against eminent domain and private nuisance actions.

Prior to the legislative change the opportunity to join such a district was limited to once every eight years. Without consulting counties, the Department of Agriculture and Markets and the Farm Bureau pressed the Legislature to amend the law to allow landowners to petition a county body to add land to a district at any time. The Legislature granted the request but did so without establishing a new procedure for handling the change. Unfortunately, this created a situation where counties would have to go through the entire review process for each request, requiring hundreds of hours of staff time, mailings, and other resources.

Ultimately, the dilemma was rectified. When the matter was called to the attention of the Department of Agriculture and Markets and the Farm Bureau, both organizations realized the oversight and were pleased to coordinate with county planners to develop new streamlined application review procedures. When they came to an agreement, the Legislature enacted the changes into law. Though resolved to everyone’s satisfaction, local officials observed that there seem to be few effective

“Stop making local government ‘branch offices’ of State government.”

*Comment from
Local Official*

mechanisms for obtaining local feedback about new State legislation prior to passage. In those cases where the parties are less responsive to the negative effects of policy decisions, municipalities often bear a heavy cost for policy makers' shortsighted actions.

Need for Ongoing Statewide Dialogue and Local Conversation

Officials expressed considerable frustration that there are no effective vehicles for real communication and exchange with State actors. Since there are multiple points of control across the government, the potential for confusion and miscommunication is significant.

Local officials found the suggestion that we begin to engage in dialogue to build a *collective* understanding of local governance problems a novel and welcome approach—advocacy is more the norm. In their experience, advocacy means local government leaders petition their representatives in the Legislature for momentary relief on immediate and specific troubles and compete against other jurisdictions for resources. In contrast, getting all sides together for conversations when they are not competing for emergency funds or scarce resources could enable local and State leaders to see the big picture. Participants suggested that an ongoing dialogue might support a more generative environment where local leaders discuss each other's problems, and develop a collective action agenda that does not place one jurisdiction before others.

System Control Issues	
Comments from Content Experts <i>Round One</i>	Comments from Local Officials <i>Round Two</i>
The State contends with local issues using piecemeal policies.	Political leaders often work on a few high visibility symptoms rather than do the slow, hard work of dealing with underlying problems.
One reason that governing is more complex and expensive is that the State does not systematically review the costs or the outcomes of policy decisions.	Policy-making related to local governments lacks impact assessment and consultation. Feedback could help prevent unnecessary and costly negative impacts on municipalities.
Local officials rarely use their collective strength to bring important issues into the public arena.	There is a need for ongoing statewide dialogue on local government matters so that the right problems receive attention by policy makers, and the expertise of local professionals is brought to bear on system-wide issues.
Local leaders may have trouble balancing the greater good of the community against the interests of a vocal minority.	The problem of dealing with special interests is worse when these interests reach out to State-level actors to acquire political leverage.
State and local leaders need a long-term, systematic focus to deal with chronic problems that keep getting worse.	With respect to local governance, we have a statewide system of control that seems to be missing a systemic focus.

Healthy Variation

Not a One-Size Fits All Environment

Many of the local government representatives we interviewed emphasized that municipalities in New York have very different profiles and conditions, but are required to respond the same way to laws and regulations. Recognition of the wide variation in upstate and downstate community conditions was identified as critical to government management and community development. Differences in rural and urban environments, geographic characteristics, economic needs and assets, infrastructure capacity, knowledge resources, and citizen needs and expectations require different responses. Recognition of these variations was not, however, reflected in how local government is required to operate.

“Planning and development issues cross too many jurisdictional boundaries with too little coordinated planning.”

*Comment from
Local Official*

Local government officials discussed ways that they felt constrained in their responses to problems and opportunities. In particular, they cited economic development, revenue generation, and environmental rules and incentives as confounding local opportunity. Several called for the development of mechanisms like waiver and demonstration projects. These vehicles for experimentation, they argued, could be used to develop new ideas and methods. Experiments could operate within a framework where expectations and outcomes are negotiated, but local governments would be free to relax specific regulations, and test new ways to support services and development.

Several officials we interviewed liked the idea of experimentation as a tool for individual local governments, and also as a mechanism for potential intermunicipal cooperation. By relaxing selected regulations within functional and geographic boundaries, they felt that new patterns of support and working arrangements might develop.

“There is a chronic mismatch between the growth of revenue and expenditures. Health and post-employment obligations are rising much faster than sales tax revenue growth, creating massive out-year structural budget gaps.”

*Comment from
Local Official*

Inflexible Revenue Options and Growing Expenditures

In both rounds of the dialogue, participants agreed that existing revenue and expenditure streams for municipalities are chronically mismatched to local circumstances, which vary widely. The pressures on property tax, limits on new revenue sources, and State inattention to the conditions of revenue sharing exacerbate the problems of municipalities that face rising expenses.

Growing Expenditures

Local leaders cited rising expenditures for health insurance for employees as a key problem, and an area where many community's costs have doubled in the past five years. The cost of health insurance also affects retiree benefits, and becomes a more onerous obligation as the number of retirees increases. Officials noted that benefit package burdens are more problematic in some municipalities because of prior decisions to negotiate smaller salary increases in exchange for enhanced benefits. This may have been an acceptable short-term tradeoff, but the bargain has had significant long-term impacts.

Wage and benefit packages for municipal labor, most of whom are unionized, pose a fiscal problem for local governments and now present political problems as well. Community residents employed in the private sector see their own benefit packages, including health insurance benefits, co-payments, and retirement plans, diminish. Taxpayers question the wisdom and fairness of providing costly and generous packages for public sector staff.

Changes in accounting practices add complexity to local budgeting and fiscal planning practices. Local officials described the Government Accounting Standards Board (GASB) statements 34, 43 and 45 as changes that have significant fiscal planning and management implications. These GASB standards require municipalities to certify accrual of post-employment benefit costs and account for depreciation of infrastructure. As one official put it, “Now, in order to hire someone to plow, we are going to have to estimate the costs of keeping the employee through retirement.”

Rising fuel costs also affect municipalities. Fuel costs directly increase municipal expenditures for transportation and heat, and indirectly affect prices for commodities they purchase.

As previously mentioned in this report, municipal officials in communities with volunteer fire companies and EMS are deeply concerned about waning public interest in providing these volunteer services. If communities are required to hire professional firefighters, local officials estimated that the overall budget would double.

Inflexible revenues

In contrast to rising expenses, revenues have not increased, and options for new revenue sources are limited. This circumstance makes it difficult for local officials to align revenue and expenditures, increasing the likelihood of structural deficits. In addition, large annual variations in mandated budget expenses in areas like pension costs are hard to manage at the local level, since much of their revenue base is inelastic.

Upstate cities cannot rely on property taxes. For many cities, the value of properties is decreasing. In this context, legislative exemptions granted to individuals who own valuable parcels exacerbates the revenue challenge. In many communities, the sales tax is viewed as the only area of potential growth. However, many municipalities do not have much control over sales tax revenues, since counties and cities often negotiate sales taxes shares.

In addition to the intra-county negotiation problems related to sales tax sharing, there are jurisdictional boundary issues that engender sales tax equity concerns. Officials offered an example to illustrate the point. Tioga County incorporates bedroom communities for Broome County. Growth in sales tax dollars in counties like Tioga is limited because retail business and ‘big box’ stores tend to locate in Broome. This trend hurts Tioga sales tax revenues by driving smaller retail estab-

“Strong efforts are being made to generate revenue from fees, fines, and other special charges instead of property taxes, but there is a limited amount of areas in which cities and villages can draw upon for revenue.”

*Comment from
Local Official*

ishments out of business and redistributing revenue derived from newer businesses to Broome.

“I would say to the Legislature—I’ll give you back your State aid if you give me a growth revenue source: the sales tax.”

*Comment from
Local Official*

In response, some local government officials we interviewed in the second round asked for growth in potential revenue sources, and more flexibility with respect to limits and types of revenue. Respondents talked about a menu of tax options rather than reliance on specific funding streams. In addition, they see the need for more flexibility and professionalism in managing budgets. Line item budgets require too much detail and do not always capture programmatic costs, and the system does not mandate forward-looking practices like multi-year budget planning. As a result, out-year structural budget deficits are not flagged.

Rudderless Economic Development

Like the participants in the first round of the dialogue, respondents in the second round felt that politics are too entrenched in economic development decisions, and that land use planning based at the municipal level is too fragmented. Officials we spoke with agreed that county or regional level planning connects assets, needs, and regional competitive advantages in a more rational manner. In addition, they felt that varied tools and approaches are needed, rather than a one-size-fits-all approach, since the economic conditions are different across regions of the state.

Several of the people we interviewed felt that New York State has tremendous potential to leverage assets for short and long-term economic growth and development. Telecommuting makes living in the countryside more feasible, and the lure of an agrarian community attracts city-dwellers to the country. An enhanced telecommunication infrastructure would support this trend. In addition, New York State has abundant water resources that could draw businesses and residents weary of the water problems in some southern and western states.

Important assets remain in cities—particularly universities and hospitals—but upstate city officials we interviewed felt the days of cities as centers of wealth are gone. While universities and hospitals were seen as important economic stabilizers, the local officials we interviewed did not feel that these institutions could reverse economic decline on their own. In addition, non-profit organizations often did not support the costs associated with their presence.

In upstate communities, developers that are attracted to the city often want cities to sacrifice cultural assets, like historic buildings and waterfronts, to service or build new enterprises. Future opportunities that can have greater significance are lost through this lack of foresight. The current economic development regulatory environment places an emphasis on tax breaks for developers. However, promised growth in municipal revenue from such development can fail to match the revenue lost from tax breaks and use of special authorities. Officials in Buffalo, for instance, reported that city waterfront development may not be taxable because the Niagara Frontier Transit Authority owns the land.

Interviewees noted that some counties are better equipped to achieve a sound and successful economic development policy. In Tompkins County, economic development policies support local company startup and growth, rather than importation (and subsequent exportation) of jobs by large corporations across its boundaries. Downstate public officials noted that their communities are built out and there is very little room for subsequent expansion.

Issues of Healthy Variation

Comments from Content Experts <i>Round One</i>	Comments from Local Officials <i>Round Two</i>
Cities and suburbs are evolving, not static, entities.	The State tends to treat local governments in a one-size-fits-all manner.
Fiscal stress is growing, but is uneven across jurisdictions and geography.	Stress is greatest in upstate cities, but all municipalities face growing expenditures and few new revenue options.
Economic development has been a failure.	Local officials agree that economic development efforts thus far have failed. A regional focus is needed.
Downstate economy is stable; upstate economy is less clear.	Variation is also a function of rural vs. urban, and the location of revenue generating sources, such as universities, and successful local businesses.
Job growth in education and health-related enterprises could lead to employment opportunities upstate.	Where these enterprises are located, the economy tends to be more stable, but they do not act as an engine for new growth.
Upstate rural regions are developing a part-time economy driven by part-time residents.	Seen as true in some regions. Disparity between income and concerns of full-time and part-time residents creates a host of new issues.
Economic outlook rests on understanding and preparing for a knowledge economy.	This is seen as a potential asset for rural communities where rural lifestyle is viewed as a benefit, but the necessary telecommunications infrastructure must be in place.
Fiscal distress varies among counties, cities, towns, and villages, due in part to their ability to find new revenue streams.	Many communities cannot continue their reliance on the property tax to cover expenditures. They turn to sales tax when agreements can be struck.
The State is on the verge of a taxpayer revolt, and is already undergoing out-migration because of high taxes, particularly among middle class citizens.	Property tax exemptions put a bigger burden on remaining taxable properties.

CONCLUSION

The local government officials who took part in this round of the Local Governance Dialogue Project provided new and important details about New York’s local government landscape. They shared with us the challenges they face on a day-to-day basis, talked about ways they can help each other, and suggested ways that the State can help all of them.

Local officials focused on three key ideas:

- The need for flexibility in management practices, and cooperation and communication across all governmental boundaries.
- The desire for a system of State government control that is more sensitive to feedback from local governments and is geared more toward a shared assessment of policies and plans.
- The recognition that conditions in municipalities vary greatly across the state and policies need to support that healthy variation.

Both groups of respondents observed that municipal circumstances evolve continuously, while the local governance system is framed around a static view of municipal service delivery responsibilities and fiscal management. Collectively, the respondents suggested that a more appropriate system would (1) create the conditions for sound policy and program execution, (2) permit adaptation and flexibility, and (3) value and leverage regional diversity.

While we’ve certainly encouraged a dialogue and have started down the path to broader understanding, there is much left to accomplish.

NEXT STEPS

Our goal for this project was to foster discussion among public officials and citizens leading to a broader understanding of governance issues. While we’ve certainly encouraged a dialogue and have started down the path to broader understanding, there is much left to accomplish. A great number of questions about local governance have been raised, but there are still many yet to be discussed.

- If local governments are evolving, not static entities, how do we respond effectively? How do we design and finance services?
- How can we foster a viable local government system and balance that with energetic State stewardship?
- How do we shape a feedback system that will reliably align state actions with local needs?

While the Intergovernmental Studies Program and the Office of the State Comptroller will continue to address the issues raised, and want to help foster the dialogue, it is also in the hands of the municipal, state, civic, and business leaders to continue it. We all must sustain the public dialogue about New York’s local governments.