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**NYS Joint Legislative Budget Hearing on Local Government
Testimony on 2012-2013 Executive Budget Proposal
County Executive Mark Poloncarz
January 24, 2012; 1:30pm**

Good morning. I want to thank the committee for giving me the opportunity to testify here today.

I believe I have a unique perspective on the impact state government can have on counties in that, while I am now the county executive of Erie County, for the prior six years I was the county comptroller. In that capacity I was the chief fiscal officer of the county and responsible for maintaining the county's cash flows and paying its bills during difficult economic times.

For decades, local governments in New York have been overburdened by the increasing costs of unfunded mandates. Year after year, State Government would pass a law starting a new program and, at the same time, pass on the cost to the municipalities, especially counties. This practice hurt our local governments' ability to provide quality services and led to higher taxes, driving residents and jobs from our state.

For almost as long as unfunded mandates have been passed down, elected officials have been talking about doing something about it. For years we have heard tough talk about taking action and providing relief, but nothing has happened.

Last year, Governor Cuomo and the Legislature passed the 2% Tax Cap, which was a major victory for the local taxpayer. However, this cap is not an end in itself. By itself, it's unfinished business. The missing link was meaningful mandate relief.

Governor Cuomo has listened and is taking the lead by putting forward a bold plan for providing mandate relief to local governments, including our own county government in Erie County. The Governor's mandate relief package will reduce our burden with a three pronged approach: (1)

Moving Medicaid growth costs to the state; (2) Reforming our pension system; and (3) Providing new aid to local governments.

MEDICAID

The growth of Medicaid has been one of the largest financial burdens for Erie County. Six years ago the State imposed a cap on the amount of Medicaid cost growth for counties making us responsible for paying 3% of the growth and having the state pay for any cost growth above that mark. But this 3% was still a huge burden for our County and many others around the State.

Specifically, since the Medicaid growth cap has been in place, Erie County's costs have rarely even reached the 3% cap, averaging 2.6% growth. While compared to some other counties that might seem sustainable, but this growth alone accounts for tens of millions of additional dollars spent each year. In just the last few years alone, actual expenses have risen by nearly \$20 million from \$193.2 million in 2009 to \$211.8 million included in Erie County's 2012 Adopted Budget.

Under the Governor's proposal the State will begin taking this burden off our counties on an annual basis and assume responsibility for 100% of the costs of Medicaid growth by fiscal year 2015. This action by the State will save our counties \$1.2 billion over the next five years.

To put Erie County's costs in line with the State Fiscal Year perspective, this year (2011/12 SFY) we expect to see our Medicaid costs grow to approximately \$205.3 million, an increase of 2.48% or a \$4.9 million net increase over last year (2010/11 SFY).

Using this as a guide, if the reduction to a 2% growth cap occurred this year, it would mean a savings of approximately \$900,000 for Erie County; to 1% would mean a savings of approximately 2.9 million; and the elimination of all growth would mean a savings of approximately \$5 million in the first year alone. This savings would be compounded every

year thereafter, providing counties much needed relief as we budget other fast growing expenditure lines.

Additionally, the Governor has proposed a state takeover of local Medicaid administrative costs to be phased-in over the next several years. While the complexity of this proposal makes it difficult to determine the exact impact this will have on Erie County, it would not be unreasonable to assume that this plan could save the County an additional \$500,000 to \$1 million a year.

At a time when every dollar counts, this plan means real, multi-million dollar savings for Erie County.

PENSION REFORM

Pension costs are the second largest financial burden facing our counties. Once again, for years we have heard a lot of talk about reform but have seen little action. The Governor has put forward a plan for pension reform, proposing a new tier VI (6) in the State pension system that, over the next thirty years, will save the State and local governments outside New York City over \$80 billion.

Pension reform is necessary and this plan doesn't affect any current employees. Under this plan, incoming employees who haven't been hired yet would have more progressive contribution rates with shared risk/reward for employees and employers to protect workers from market volatility. This way, we keep our promise to those who have already paid into the pension system, while taking steps to address skyrocketing pension costs which threaten our entire fiscal well-being as a State.

For Erie County, recurring pension costs have increased significantly in recent years and our FY 12 Adopted Budget includes \$34.05 million for such costs, up from just \$13.84 million in 2009. While this is a positive development and will reduce the long-term costs for the County, the benefit from such a new pension tier would not be seen for some time.

LOCAL AID/ECONOMIC DEVELOPMENT

Finally, the Governor is providing more to help local governments at a time when it's desperately needed.

The reality is, while Buffalo and Erie County have seen hard times for a long time, the stars seem to be aligning for us now and much of that has to do with the renewed sense of purpose and commitment we are seeing from the State.

Governor Cuomo has reimagined the way New York State thinks about economic development. Last year, the Governor created 10 regional councils that competed for \$785 million in funding for job creating and economic development projects. Our Western Regional Council was awarded \$100.3 million in funding and tax breaks to be used for 96 projects across the five-county area.

Within this budget proposal, the Governor looks to build upon this incredibly successful model by initiating a second round of awards where councils will compete, again, for an additional \$200 million in funding.

Additionally, with a few simple words—and a big financial commitment, Governor Cuomo has changed the destiny for Buffalo and has given us hope in a way we never thought possible. The Governor believes that what is good for Buffalo is good for New York State and he is putting his money where his mouth is—pledging \$1 billion in economic development aid in order to spur an additional \$5 billion in new private sector investment in Buffalo.

The Governor understands what I have been saying for years: as goes the city of Buffalo, so goes Erie County as well all of western New York. The benefits from Governor Cuomo's \$1 billion proposal will not just be seen in Buffalo but across the entire region.

We have already begun the process of seeking out new businesses; however, this will be a fruitless task unless the state's funding source is in place. This budget contains the first phase of the multi-year economic development package, which includes \$100 million in funding and tax credits for each of the next two years and it is essential that this funding be included in the final budget to capitalize on this tremendous opportunity for our State.

On top of all of this, the Executive Budget Proposal includes:

- Much needed modifications to reform the early intervention program to reduce costs for all counties across New York;
- Reforms to preschool special education costs which will cap the growth to counties, thereby providing additional relief and budgetary certainty going forward;
- \$15 million for the Peace Bridge capacity improvement project, which will begin moving forward now that the decade-long Peace Bridge Expansion Project environmental review process has been formally terminated. The U.S. largest trading partner is Canada and the Peace Bridge is upstate's gateway into Canada. An improved, faster flowing Peace Bridge will result in greater trade with Canada, which will of course impact all of New York;
- \$15 million towards the construction of a new academic building to improve Erie Community College's North Campus; and,
- Reallocating \$7.8 million in remaining efficiency grant funding; rewarding Buffalo and Erie County with more resources for taking the steps we need to maintain fiscal discipline.

And while this budget doesn't include the funding that some thought for Ralph Wilson Stadium improvements as part of the "\$84 million to support critical ongoing economic development initiatives," I am confident that keeping the Bills in Buffalo is as much a priority for the State as it is for my administration. Keeping the Bills is not only important for our regional economy—extending all the way out to

Syracuse and even further—but also critical to the framework of our community. It is a priority of my administration to successfully negotiate a new lease with the Buffalo Bills during the next year, and it must be a priority for New York State as well.

Each one of these steps on its own would represent a huge boost for local leaders like us. All together they are many pieces of the puzzle we need to solve the budget challenges we face before us.

As I have said, those of us who have been around know that we have heard lots of talk in the past about mandate relief, pension reform and supporting local government. Governor Cuomo has followed up on his words with actions, now it's time for the Legislature to do the same.

I urge the Legislature to pass the Governor's proposed budget with these vital reforms and proposals fully intact. Local governments across our entire state in the districts you represent are depending on your action to give us the relief and reform we need.

Last year, working with the Governor, our legislators showed New Yorkers how much government can accomplish by fulfilling promises that previously seemed impossible. These proposals are even bigger and bolder than those that came before, but I believe now is the time we can finally turn the promises of the past into results for today.

Thank you for giving me the time to testify. I look forward to your questions.