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**Testimony**  
**Joint Legislative Committee Hearing**  
**Robert Megna, Director of the Budget**  
**January 24, 2012**

Good Morning Chairman DeFrancisco and Chairman Farrell, distinguished members of the committee. I am Robert Megna, Director of the Division of the Budget. On behalf of Governor Andrew Cuomo, I would like to thank each of you for the opportunity to come before you today to talk about these very important issues facing our state and local governments.

As Governor Cuomo said in his budget presentation, the budget we present this year is not just a budget, but a reform plan.

Today's topic for reform is local governments. This year, as last year, our focus is on helping local governments address the critical issue of high property taxes. As you well know, New York for many years has had the highest property tax burden in the country. The State relies on its municipalities and school districts to deliver vital services to its residents and often prescribes exactly how these services must be provided through state mandates. When these mandated costs rise, local governments have had limited flexibility to control them.

Last year, you took the first steps to help control the growth of taxes by passing a property tax cap. This year, more than 80 percent of local governments have worked to remain within the limits of the property tax cap, and limited their increases to within 2 percent growth. Throughout the State, the public is engaged in a new way and holding their locally elected officials more accountable. This is having a real impact.

We also worked together last year to pass mandate relief that will save local governments \$125 million annually and created a new Mandate Relief Council that will review mandates and recommend them for modification and repeal. This is a structure that will provide our local government partners with an effective venue to seek ongoing relief.

We need to do more to help local governments manage their costs. And this budget gets at the heart of the problem and takes major steps to address some of the root causes of these high property taxes -- Medicaid, Pension costs, and Early Intervention and Preschool special education reform.

In Medicaid, the Governor's budget addresses the problem of continued growth and provides counties and New York City with real cost savings. Beginning in county fiscal year 2013, the budget would reduce the local Medicaid Growth Factor by one percent per year. As such, by county fiscal year 2015, and for each and every year going forward, counties and New York City will not have to contribute one additional dollar toward the annual growth of Medicaid costs. This action, alone, will save counties and New York City more than \$1.2 billion over the next 5 state fiscal years.

If Medicaid is the top cost-driver for local governments, then pension costs are the second highest. Between 2009 and 2015, pension costs are expected to grow by 185 percent -- billions of dollars -- for the state, and every jurisdiction within the state. Enacting fair and equitable pension reform is critical to

providing State and local governments with fiscal relief over the years to come. We will be discussing this proposal in more depth at tomorrow's workforce hearing, though I welcome any questions you may have about it today.

The budget also offers a series of reforms to the Early Intervention program that would lower the cost to counties and New York City without impacting services. It would do this by maximizing funding from private insurance companies, contracting with a fiscal intermediary to relieve counties of the administrative burden, and improving the timeliness of State reimbursement. The recommendations in the budget will result in local savings totaling \$99 million over five years, while protecting vital services.

Likewise, the Executive Budget offers much-needed reforms to our Preschool Special Education system. I spoke about these reforms in my testimony yesterday, but I bring it up today to emphasize the local government impact of these reforms. Counties and the State currently bear the total cost of this program but have no control over cost drivers. Accordingly, the Executive Budget caps county costs at current school year levels, equally assigning future county growth (excluding New York City) to the State, the counties and school districts. For counties outside New York City, these reforms will save \$20 million in reduced liabilities for the 2013 school year. School districts will assume a modest share of program growth, which we believe is appropriate given the control schools have over the program.

These reforms are real, they are sizable and they are much needed. Our partners at the local levels of governments are counting on these actions.

I would like to also note that the Governor's Budget maintains \$715 million in AIM funding, as well as \$79 million for grants to encourage and reward local government consolidation, efficiency and the sharing of municipal services. When the local savings from our mandate relief proposals start with the letter B, these numbers seem less significant, but we are pleased to recommend consistent support for our local governments through these programs.

Thank you very much for the opportunity to be with you today. We look forward to working with you across all areas of the budget to continue the positive changes that are helping to reinvigorate our state, strengthen the confidence of the public for our work, and make New York a great place to live.

I would be happy to take any questions.