



## SHARED SERVICES IN NEW YORK STATE: A REFORM THAT WORKS

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Grace Under Pressure:  
Innovation in a Time of Forced Efficiencies Summit  
Huntington, NY  
June 19, 2014

Cornell Shared Services Project – John Sipple and Mildred Warner and CaRDI  
<http://www.mildredwarner.org/restructuring>

## Global Context: Great Recession and Austerity

### National and International Level

- Pass fiscal crisis down to the city level
- Prop up markets, leave cities to fend for themselves

### City Level – varied response

- Hollowing Out
- Riding the Wave
- Pushing Back

### Citizen Level – varied response

- Acquiescence (US)
- Push Back
  - Political Protest (more common in Europe)
  - New Forms of Service Delivery (more common in US)



## City Responses: Hollowing Out

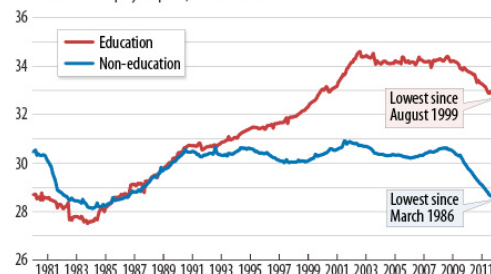
**Fiscal Crisis** – Housing foreclosure crisis leads to **public budget shortfall**

### City Response: Austerity Budgets

- Cut Services
- Lay off workers (500,000 in local government sector across US)
- Attack public sector pensions & wages
- Raise User Fees

### Public Workforce Has Declined Sharply Since 2008

State and local employees per 1,000 residents



Source: Bureau of Labor Statistics (seasonally adjusted data) and US Census Bureau.

Center on Budget and Policy Priorities | cbpp.org

## City Response – Riding the Wave

### Innovations in Service Delivery

#### Shared Services

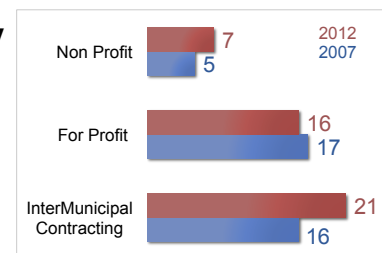
- Now larger than privatization
- Promotes regional collaboration

#### Cautious Privatization

- Insourcing, Reverse Privatization
- Now as big as new outsourcing

#### Mixed public/private delivery and hybrid public/private firms

- For public control and labor 'flexibility'



ICMA National Data

### Attract Private Capital for Public Services

- Developer impact fees to fund public services
- Business Improvement Districts: growing rapidly & extending to Europe

## Citizen and City Response – Push Back

### Europe: Occupy Movement, “Outraged”

- Not trade union or party based
- Direct people’s democracy

### US: Tea Party

- Libertarian
- Distrust of government



### Alternative forms of production - Citizen

- Collaborative consumption (local food, car shares)

### Alternative forms of service delivery – City

- Economic development policy that incorporates social objectives (small business and neighborhood revitalization, land trusts for foreclosed properties)
- Regional collaboration and shared services



## Cornell Study



Cornell University

### Partners

Cornell University

- Department of City and Regional Planning
- Department of Development Sociology

New York Conference of Mayors

New York State Association of Towns

New York State Association of Counties

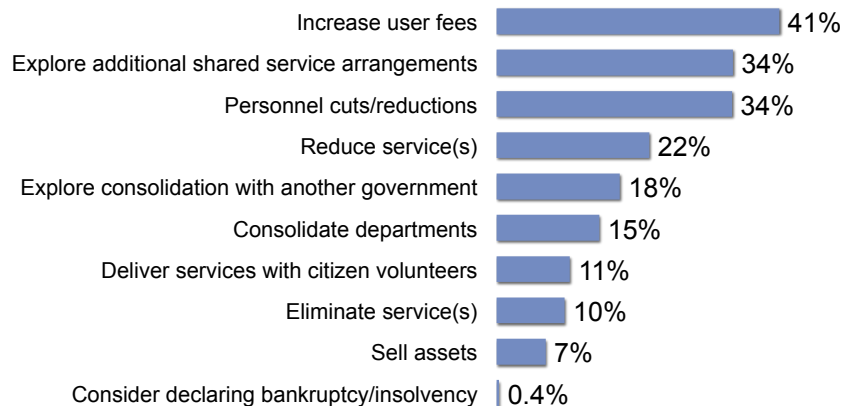
New York State Council of School Superintendents

American Planning Association, New York Upstate Chapter

Principal Investigators: John Sipple, Mildred Warner

Researchers: George Homsy, David Kay, Bingxi Qian,, Yang Wang, Chris Hayes, Siba El Samra, Xiaomeng Li

## NYS Municipalities' Responses to Fiscal Stress



## State Context

### Cuomo’s Original Proposal

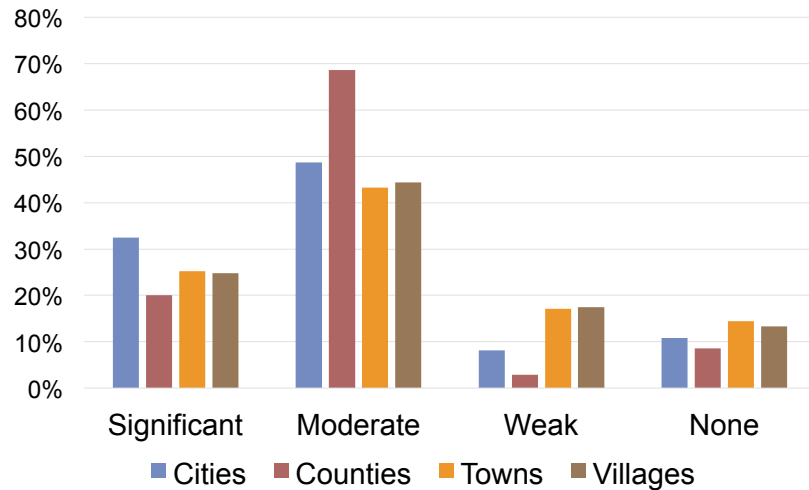
1. **Tax Cap** for governments and school districts
2. **Property Tax Freeze** - Tax Circuit Breaker for homeowners
3. **Mandate Relief**

### Need all three reforms for comprehensive relief

1. Tax Cap without the other reforms **provides no real relief** to tax payers. It just **starves** the cities and citizens of services
2. Property Tax Freeze - Tax Circuit Breaker now proposed but with **strings attached**  
Requires new sharing arrangements, ignores prior history of sharing, expects 3% cost savings.
3. Mandate Relief **still needed**



## Tax Cap's Contribution to Fiscal Stress



## Starving the Cities

If Tax Cap had been in place in 2000, expenditures today would be 23% less

(millions)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CAGR
Observed Levy	18,897	19,356	20,277	21,949	23,454	24,795	25,771	26,727	27,533	28,459	28,972	29,823	4.23%
Allowable Levy with Cap	18,897	19,275	19,660	19,975	20,374	20,782	21,198	21,622	22,054	22,495	22,495	22,855	1.74%
Difference	0	-81	-617	-1,974	-3,080	-4,013	-4,573	-5,105	-5,479	-5,964	-6,477	-6,968	2.49%

Estimates based on *total* local government expenditures in NYS

(current dollars) (Reed Van Beveran)

CAGR = Compounded annual growth rate, representing year-over-year growth rate over a specified period of time. Calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered

## Property Tax Freeze/Circuit Breaker and Shared Services

2013 NYS survey shows service sharing is already common among NYS municipalities

- Of 29 services measured, **sharing rate was 27%**
- Public works, public safety, parks and recreation showed highest levels of sharing
- Cost savings** were only one goal – and **only achieved half the time.**
  - Other goals include **improved service quality** and **regional coordination.**
- This is similar to international studies which show **cooperation is not primarily driven by cost savings** and cost savings are not always found.



## Public Safety

	Municipalities engaged	Avg. length years	Most common arrangement	Cost Savings Achieved
Dispatch/911	69%	19	MOU	44%
Ambulance/EMS	58%	26	MOU	43%
Fire	53%	34	MOU	47%
Dog / animal control	36%	16	MOU	57%
Police	29%	20	MOU	42%
Municipal courts	18%	21	MOU	58%



## Public works and transportation

	Municipalities engaged	Avg. length years	Most common arrangement	Cost Savings Achieved
Public transit or paratransit (elderly and disabled)	55%	12	Contracting	40%
Roads and highways	48%	20	MOU	67%
Sewer	38%	25	MOU	44%
Water	38%	21	MOU	46%
Refuse, garbage, landfill	26%	17	MOU	68%



## Recreation and social services

	Municipalities engaged	Avg. length years	Most common arrangement	Cost Savings Achieved
Library	52%	25	MOU	41%
Youth recreation	49%	22	MOU	52%
Youth social services	45%	20	MOU	42%
Elderly services	37%	19	MOU	36%
Parks	17%	19	MOU	50%



## Administrative and support services

	Municipalities engaged	Avg. length years	Most common arrangement	Cost Savings Achieved
Tax assessment	39%	17	MOU	71%
Energy (production or purchase)	25%	10	MOU	88%
Purchase of supplies	17%	14	MOU	88%
Health insurance	12%	10	MOU	79%
Tax collection	12%	23	MOU	51%
Information Technology	8%	7	MOU	73%



## Administrative and support services

	Municipalities engaged	Avg. length years	Most common arrangement	Cost Savings Achieved
Professional staff (e.g. attorney, planner, engineer)	8%	11	Informal	60%
Building maintenance	8%	18	MOU	70%
Liability Insurance	6%	12	Joint Ownership	76%
Payroll/ bookkeeping	4%	8	Informal	46%



## Economic development and planning

	Municipalities engaged	Avg. length years	Most common arrangement	Cost Savings Achieved
Economic development administration	36%	15	MOU	39%
Building code enforcement	22%	13	MOU	66%
Planning and zoning	11%	16	MOU	47%

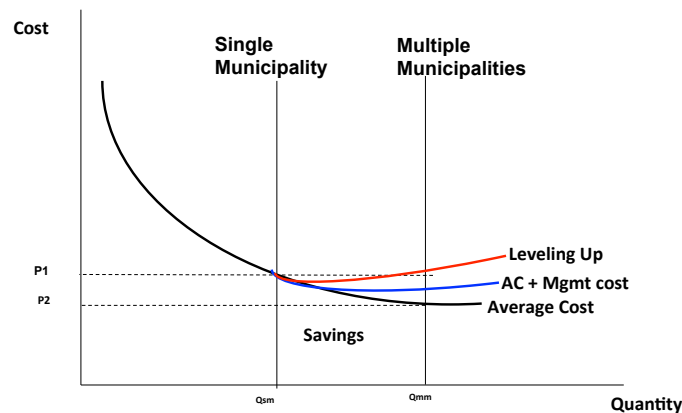
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## Why So Few Cost Savings? Service Characteristics

- *Economies of scale in service delivery are limited.*
  - Economies of scale for many local government services are exhausted at relatively low population levels.
- Highest potential for economies of scale in back office services related to information technology and joint purchasing.
  - Need state leadership in negotiating statewide purchasing contracts or supporting the upfront capital costs of new information technology systems could go a long way to helping local governments reduce their costs.

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## Economies of Scale



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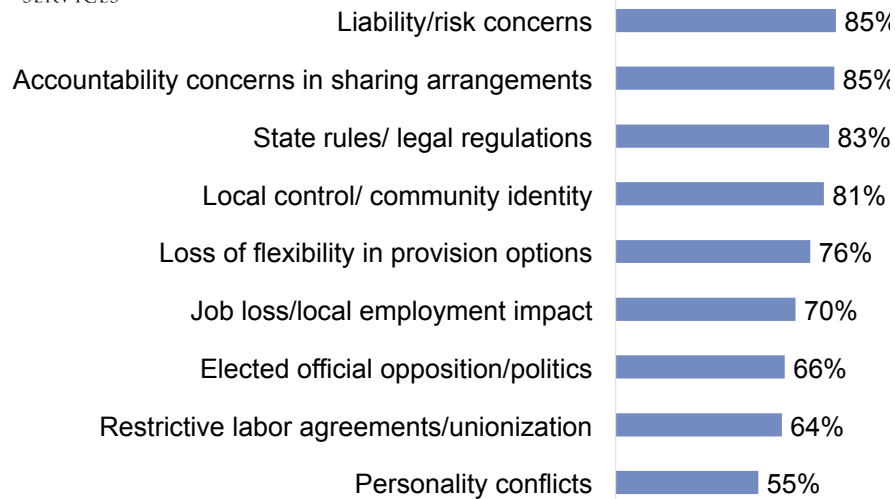
## Why So Few Cost Savings? State Role

- *Management Costs – Designing the Sharing Agreement*
  - Create a BOCES-type structure to promote sharing
- *State rules limit sharing and service innovation*
  - Restrictions on service sharing between local governments and special districts (fire, schools)
  - Contract rules which promote *leveling up* of costs among sharing districts
  - Liability, accountability concerns and state rules were the three most commonly listed obstacles to service sharing



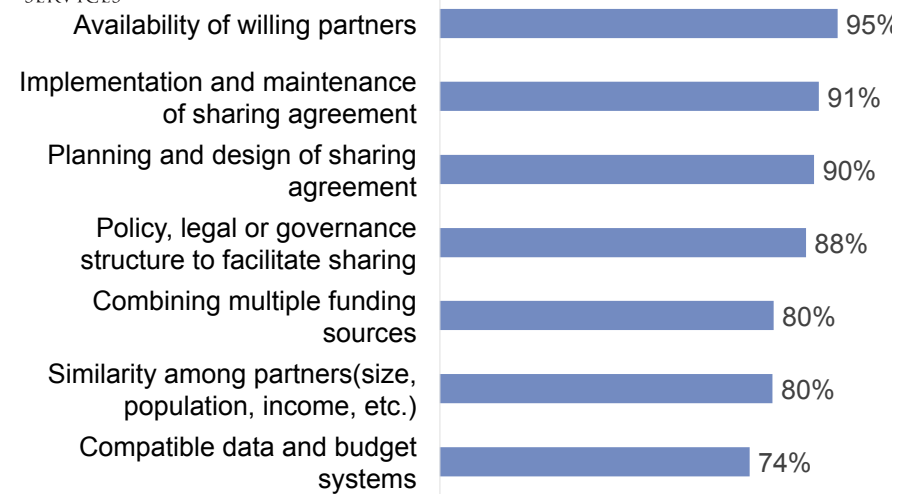
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## Obstacles



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## Management Issues



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## Why So Few Cost Savings? Quality Enhancement

- *Service sharing is often done to improve service quality and regional coordination*
  - 911 and dispatch services shared to improve service delivery. Enhanced systems are not cheaper, but they are more effective, and lives are saved as a result.
  - Services where improved quality reported more than 60% of the time: Roads and highways, public transit, information technology, elderly services, youth services.
  - Most services showed improved service quality as an outcome half the time.



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## Why share?





## Outcomes of Inter-municipal Shared Services

	Cost savings	Improved service quality	Improved regional coordination
All	56%	50%	35%
Public Works & Transport.	53%	56%	39%
Administrative/Support	70%	39%	25%
Recreation & Social Services	44%	59%	38%
Public Safety	48%	54%	38%
Economic Dev. & Planning	51%	52%	46%

## Do Municipalities that Share Services Have Lower Expenditures?

- Results of Regression Models – controlling for population, density, metro status (Based on Comptroller budget data)
- (EMS, Administration, Planning and zoning, economic development, youth recreation, sewer show no significant difference in cost if shared)

	Total Expenditure if Shared Service	Per Capita Expenditure if Shared Service
All Expenditures	-	
Solid Waste	-	
Roads and Highways	-	-
Police	-	-
Libraries	-	-
Elder Services	+	
Fire		+
Water		-

## Can we reach the Governor's Goal of Savings = 3% of Property Tax Levy?

- One more service shared can lead to **1.47 percent** lower government expenditure, holding other variables constant.
- Can this equal 3% of property tax levy?
- Models of total expenditure show this is possible
  - This will be more likely for cities and counties, whose reliance on property taxes is less than towns and villages. But even towns and villages may be able to meet this goal.
- The question is: which services offer the best targets for large savings?
- IT, Health Insurance, Storm Water, Energy Purchase?



## School Survey: Shared Administrative Services

	Another district(s)	BOCES	Private sector	Municipality
Payroll/accounts payable	9%	91%	0%	0%
Cafeteria services	26%	57%	17%	0%
Transportation services (Buses, garage, maintenance)	52%	21%	18%	9%
Tax collection	7%	13%	20%	61%
Security/SRO/police	7%	12%	7%	75%
Health insurance	39%	52%	7%	3%
Joint purchasing	13%	77%	2%	8%





## Schools Survey: Shared facilities

	University/ community college	Community group/Non- profit	Private sector	Municipality
Library/computer lab	2%	37%	9%	11%
Gymnasium/pool/ auditorium/indoor space	5%	46%	12%	21%
Field/playground/ Outdoor space	6%	44%	9%	32%



## Schools: Shared Community Services

	University/ community college	Community group/ Non- profit	Private sector	Municipality
Youth recreation	0%	42%	5%	52%
Childcare/ Even start/Pre-school	0%	64%	22%	7%
Community transportation	3%	31%	14%	41%
Adult education	2%	4%	2%	2%
Adult recreation	0%	48%	10%	40%
Adult healthcare/ Social services	0%	50%	0%	50%
Community feeding	0%	57%	0%	43%



## Obstacles to Sharing

	Response from schools	Response from municipalities
State rules/legal regulations	89%	83%
Accountability concerns in sharing arrangements	88%	85%
Loss of flexibility in provision options	87%	76%
Local control/community identity	85%	81%
Restrictive labor agreements/ unionization	84%	64%
Liability/risk concerns	80%	85%
Job loss/local employment impact	80%	70%
Elected official opposition/politics	60%	66%
Personality conflicts	50%	55%

## Factors Predicting Sharing

- Among Municipalities (Bingxi Qian)
  - Larger municipalities share more
  - Management factors (increase sharing)
  - Obstacles and incompatible data and budget systems (reduce sharing)
  - Heterogeneity by income, race, age, property tax (reduces sharing)
  - Social networks (COG, tenure of sharing agreement)
    - Inter-municipal competition is not a barrier
  - Fiscal factors, metro status not significant
- Between Schools and Municipalities (Yang Wang)
  - Larger school districts share less
  - Formal contracts increase sharing
  - Management issues, budget accountability and obstacles reduce sharing
  - Small cities and rural places share more
  - Fiscal factors, heterogeneity not significant
    - Need a neutral mediator to provide admin support



## What Happened to Mandate Relief?

- NYS has the highest level of state decentralization of fiscal responsibility of any state in the region.
  - 64% of all state and local expenditures are handled at the local level in NYS!
- This is the primary driver of high local property taxes in NYS

State	State Decentralization 2007
<b>NY</b>	<b>0.64</b>
PA	0.55
NJ	0.54
CT	0.48
MA	0.44
VT	0.38

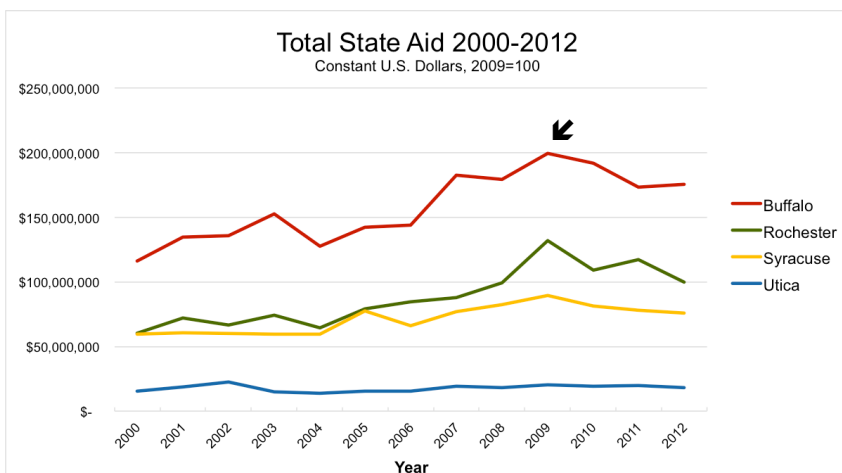
US Census of Government Finance, 2007

## And for the Schools? Decentralization

- **NY ranks 37<sup>th</sup>** (2012) in the % of local revenue from State Government (**39%**, including STAR)
- 12 States with **lower** state contributions:
  - New Hampshire & Pennsylvania (36%)
  - Connecticut & Virginia (38%)
  - New Jersey (39%)
- 37 States with **higher** state contributions:
  - Maryland (43%)
  - Wisconsin (44%)
  - California (54%)
  - Michigan (55%)
  - Vermont (87%)

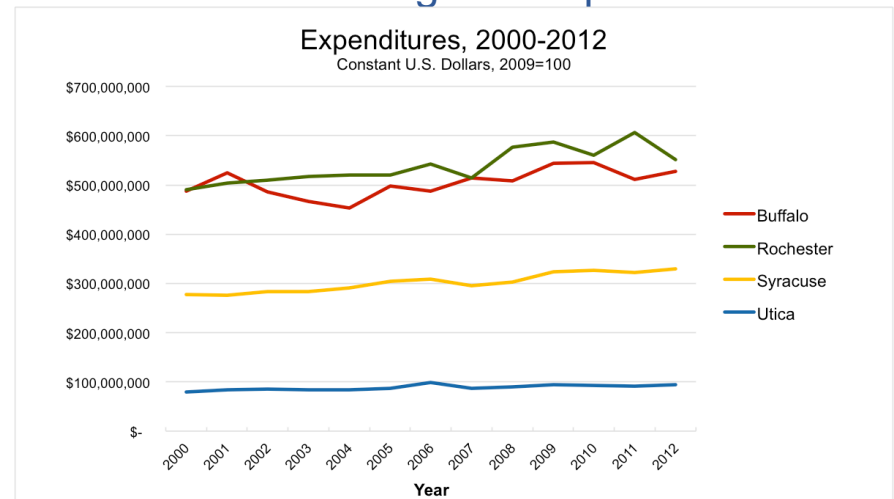
From John Sipple

## State Aid has fallen in real terms since the recession



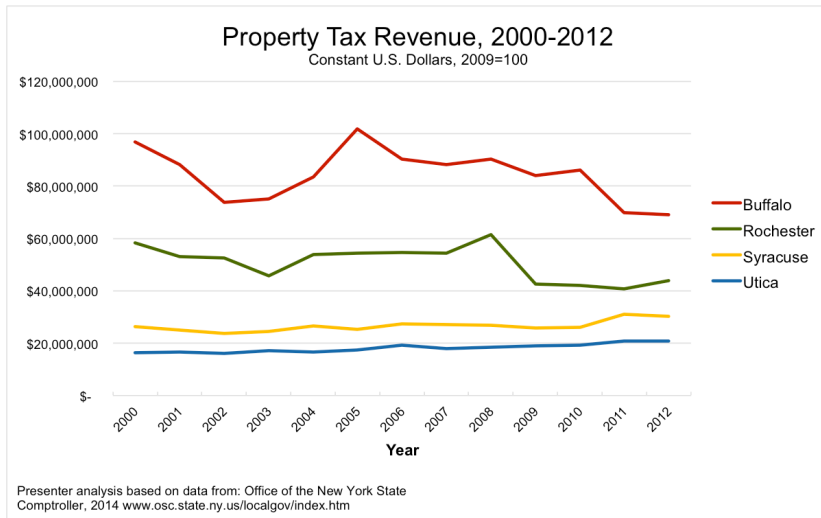
Presenter analysis based on data from: Office of the New York State Comptroller, 2014 [www.osc.state.ny.us/localgov/index.htm](http://www.osc.state.ny.us/localgov/index.htm)

## Cities are controlling their expenditures

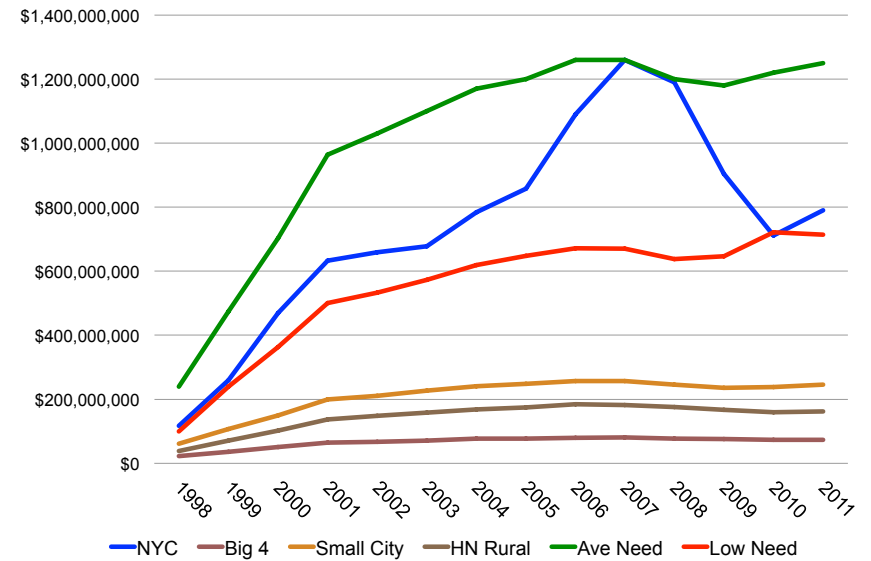


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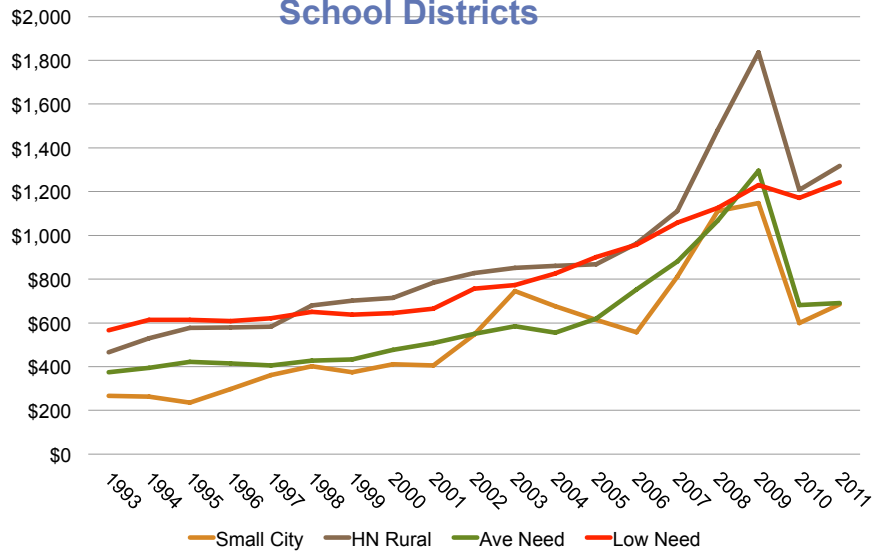
## Property Taxes Flat or Falling (even before the Tax Cap)



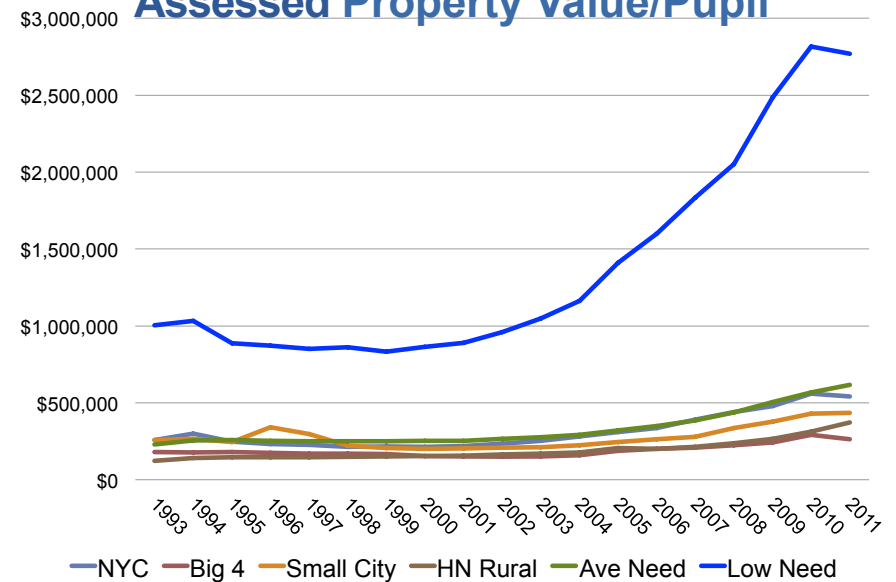
## Total STAR Aid to schools by N/RC Categories



## Unrestricted Fund Balance/Pupil for School Districts



## Assessed Property Value/Pupil



## We need new alternatives

### Need a State Level Partner

- Recentralize fiscal responsibility for services to the state level
  - Bring level of decentralization in line with other states to increase local government competitiveness

### Give local governments more flexibility

- In sharing services with other municipalities and districts
- In co-production with citizens
- In collaboration with labor unions

### Provide an administrative structure to facilitate sharing

- A 'BOCES' for local government (see Hayes' report)

### Need Regional Approaches

- Cities cannot solve this on their own (due to poverty, tax-exempt tax base, regional structure of the economy)

## Resources – found at [www.mildredwarner.org/restructuring/nys](http://www.mildredwarner.org/restructuring/nys)

- Inter-municipal Sharing: BOCES helps Towns and Schools Cooperate across New York, Hayes
- Shared Services in New York State: A Reform That Works, Homsy et al.
- Shared School Services: A Common Response to Fiscal Stress, Sipple et al.
- Consolidation, Shared Services and Mandate Relief: Localities Can't Do it Alone, Warner
- Inter-Municipal Cooperation and Costs: Expectations and Evidence, Bel and Warner