

Local Gov'ts Having Tough Fiscal Times, Comptroller Warns

By MARK TOOR | Posted: Monday, August 13, 2012 5:00 pm

Local governments in New York State are facing a new economic reality: serious financial problems stretching into the indefinite future, according to a report issued this month by State Comptroller Thomas P. DiNapoli.

Their problems can be exacerbated by budgeting methods that obscure the strain caused by expenditures that rise as tax receipts decline, the report said. Some of these methods may be due to sloppiness, but others appear to seek to hide a locality's true financial picture from the taxpayers, it said.

Can't Pay the Bills

The study found that nearly 300 local governments ran deficits in 2010 or 2011 and more than 100 did not have enough cash on hand to pay their current bills. The state has about 4,000 counties, towns, school boards and other local-government entities.

Further New York City and seven other local governments, including Binghamton and Cortland County, are "dangerously close" to exceeding the tax limit set by the State Constitution, the report said. The Constitution specifies that local taxes can't exceed a certain percentage of the total value of taxable real property. Different percentages are set for different jurisdictions; in New York City, it's 10 percent.

If a local government breaks that ceiling, state aid must be withheld. "Since the limit is calculated as a percentage of the five-year property value, more local governments may face this dilemma," the report said.

'Devastating Impact' Possible

"Our communities are facing a challenging economic reality," Mr. DiNapoli said in the report. "There are no quick fixes and any future economic shocks could have a devastating impact on some communities. Difficult choices are ahead but they start with better long-range planning and an honest conversation about the numbers. By preparing more-accurate and realistic budgets, local officials will be better able to deal with these issues without overburdening taxpayers."

The report had another warning for local governments: "Inaccurate budgeting practices resulting in diminished financial condition have left some local governments extremely vulnerable to any unanticipated expenditures resulting from emergencies, mandates, or unexpected increases in the

costs of goods and services. These local governments also are susceptible to shortfalls in expected revenues.”

The report urges governments in this position to seek additional revenues, reduce outlays, or both. They should plan budgets over a period of years, rather than annually, to identify gaps between revenues and expenditures and figure out how to deal with them, it said. “If a local government’s financial condition continues to deteriorate, taxpayers will pay the price through higher tax-levy increases,” the report says.

Mr. DiNapoli told reporters Aug. 7, “For the near term we’re going to have many of our communities that are facing a severe budget challenge, given the fiscal climate, the economic climate, and some of the historical trends.”

Tax-Base, Population Drops

He listed the challenges faced by older cities: falling population, a declining tax base because property values are dropping, an older population that needs more services, an older infrastructure. Some commentators have blamed much of the problem on Governor Cuomo’s 2-percent-a-year property-tax cap, which restricts the amount of money local governments can raise. But Mr. DiNapoli said his four factors had a greater effect than the tax cap.

All told, local governments suffered an actual decline in revenues of more than \$400 million during the recession, the report said. The result has been reduced spending on public safety, health and recreational programs, garbage collection and transportation.