

# **2006 BUDGET MESSAGE**

## **ONEIDA COUNTY EXECUTIVE JOSEPH A. GRIFFO**

October 3, 2005

Dear Honorable Members of the Oneida County Board of Legislators:

Before we begin today's budget address, let us pause to remember those in need of our thoughts today – our troops far from home in Iraq and Afghanistan and the victims of Hurricanes Katrina and Rita.

One year ago, we gathered to develop a budget in a time of anxiety. There was virtually no one in sight acting to curb the outrageous costs of New York's fraud-riddled, spendthrift Medicaid program. Property owners were slammed time after time with property tax increases at the school and municipal levels. Pension costs and health insurance costs were going up faster than anyone could pay. It was a dire fiscal time when – if all our hopes were wrong and our fears were right – we could have been here today looking at a 2006 picture that was even worse.

There's a long journey ahead, but we are turning a corner. Oneida County is on the road to recovery.

This past year has tested us as never before. We've all made some tough decisions. We acted based on what the people of Oneida County need, not our personal wishes. And we are making progress.

In 2006, Oneida County will fulfill its obligations to the people to preserve public safety, maintain our infrastructure, continue economic development efforts and serve as the major regional human services safety net for the sick, the poor and the elderly.

In 2006, we will expect the Oneida Indian Nation of New York to abide by last year's ruling by the U.S. Supreme Court, meet its obligations to the region's people and pay its taxes.

In 2006, we will keep our promise to the people of Oneida County that we will cut back the 1.5% sales tax by dropping the rate.

We can look forward in 2006 because this has been a year of pragmatic fiscal conservatism in action as we faced – and overcame – challenges.

Because this Board and this County had the nerve to tell state government what Medicaid was doing to our taxpayers, and because we refused to throw that burden on property owners, we helped spark a statewide fire that – after years of talk – finally led to action to limit the growth of counties' Medicaid costs.

After years of a problem-riddled transit system in Utica and rising transit costs in Rome, your cooperation and support of my transit initiative has allowed CENTRO to come to Oneida County, providing quality transit service to Utica, Rome and towns such as New Hartford and Whitestown.

Our efforts to make economic development our top priority meant victory in the BRAC process by saving 500 jobs and adding 600 more. Family Dollar is bringing more than 400 jobs

to Oneida County, citing the transportation infrastructure we help to maintain as one of its prime reasons for coming here.

But the road to recovery is still running uphill. County Government's structure needs to be based on sound management, not past practices and its size needs to be reduced. We face rising costs common to all employers – an increase of more than \$1 million for utilities and fuel and a 15% increase in health insurance costs. And while Medicaid will drop from 2005 to 2006, other mandated Social Services programs are growing to the tune of about \$4 million in spending we do not control. We will lose almost \$1.7 million in federal revenue that offsets mandated Social Services programs.

We responded to these challenges by finding an opportunity. Due to changes in the financial markets, there was an opportunity through the tobacco settlement to receive the present value of future residual payments from the years 2025 through 2045. Comptroller Joseph Timpano guided us through a complex process, working with financial advisers, the New York State Association of Counties and a pool of about 14 other counties. The money has lots of strings. It can only be used for debt reduction, working capital and/or capital projects. Unlike past securitization efforts, taxpayers will know very clearly where this money went because we will be using it in a tax stabilization and transition reserve account to help taxpayers in 2006 and 2007.

Fully explaining the process can take hours. The point for the taxpayers is simple.

Because we know that working families, seniors and businesses need relief, there will be no increase in Oneida County's 2006 budget for property taxes. By holding the line on property taxes, we project the average county tax rate to fall to \$8.78 per \$1,000 of assessed value in 2006. This compares to an average of \$8.82 in 2005, although individual amounts vary due to changes in assessment and equalization.

Achieving property tax stability honors the promise I have made that the taxpayers will be my top priority. Since I have been your County Executive, Oneida County property taxes will have increased 2.9%. Let's put that in context. The state Comptroller's recent report says county property taxes rose 16% on average from 2003 through 2005. The New York State Association of Counties reports some county property tax levies increased as much as 70% from 2002 to 2005.

Providing property tax stability is important for two reasons. I know how hard it is to make ends meet when heating costs are rising 30% or higher, gasoline is almost \$3 a gallon and property owners have already been hit with school and municipal tax increases.

This is a time of great opportunity here in Oneida County and we need to nurture this growth to attract more jobs and people. The long-term future of Oneida County rests in making this a place where people want to live, work and build. Our county's growth in jobs can spur home sales. We want low property tax rates to make that growth even better.

Credit rating agencies that are not fighting to make ends meet want high taxes to build up high reserves. I will put the people of Oneida County first. Whatever the agencies say, no road will go unbuilt and no capital project will be stopped. More importantly, no one will pay higher property taxes than they should.

I know the sales tax has been the whipping boy of every discontented politician looking for a headline. But for all the clamor, Oneida County's retail market remains strong. Kohl's and Gander Mountain have come to Oneida County since the tax was imposed. Marshall's and Walgreen's are opening new stores. New Hartford is the regional retail capital, and even more so with the completion of the Judd Road project, which opened its last section this morning.

Despite the property tax stability this budget provides, there are major challenges facing us in 2006 and beyond.

I keep hearing the state is giving us a Medicaid savings. Well guess what, our projected 2006 local share of Medicaid will be higher than what we spent in 2004! Yes, it is less than what we projected spending in 2005, but then it will grow again. We know the growth will be controlled and predictable, but we are a long way from real savings. Medicaid is still riddled with fraud. It costs taxpayers at the local, state and federal levels far too much money. The goal of Medicaid reform still remains to cut the costs of the system, not just change how we pay the bill.

Medicaid is not the only issue. Gov. Pataki, who developed the plan to limit county taxpayers' pain for this runaway program, Senator Meier and Assemblywoman Destito who spearheaded legislative support for the plan to limit counties' share of Medicaid growth did an excellent job of designing a blueprint to limit counties' costs for mandated Social Services programs. But the Albany Bureaucracy can't follow the blueprint. While Medicaid was leaving us an extra nickel in our pockets, another state hand was reaching in to grab it away.

Budget year 2005 to 2006 we are losing almost \$5.8 million in state revenue to fund Social Services programs. I've been asked why we need money when sales tax is on target and Medicaid seems to be below budget. Well, make no mistake, the cost of other state and federal social programs continues to rise. In 2006, we're losing \$1.7 million in federal money to operate DSS programs. The block grant we get to run most DSS programs pays us at 2004 levels for services in 2005 and 2006, while the costs of what we are mandated to provide continue to increase.

We must be vigilant and vocal in 2006, because if we are not, the Albany Bureaucrats will undo with their red tape and rules what the Legislature and Governor sought to do with their Medicaid cost relief package.

I have led our local effort to fight the costs of Medicaid. Two years ago, we created the MARC team to hold down fraud, and we now recover about \$4 million a year that offsets rising costs. Social Services Commissioner Ted Mohr testified in Albany last month at State Senate hearings on reducing Medicaid fraud, because we are one of the most aggressive counties working to fight fraud.

This budget does not include revenue from either sales or property taxes that are owed by the Oneida Indian Nation. We have been assured the state of New York will begin collection of sales taxes this spring. The U.S. Supreme Court ruled that land the Oneidas have purchased in Oneida County is not tax-exempt. Resolution of these issues in 2006 will go a long way to determining the fate of county taxes in 2007 and beyond.

One area that will have a positive impact on our budget – and our region – is the anticipated end of the long process of getting Vernon Downs open again. Not only does this mean more tax revenue from sales taxes, but it means that a major attraction of western Oneida County will offer jobs and entertainment for the people of our region. Behind-the-scenes steps I

have taken through aggressive actions that include pushing for foreclosure have helped move this process towards a positive resolution. My office has devoted hundreds of hours into the effort to restore racing at Vernon Downs in 2006. We believe that there is now a viable plan that has been developed, and we will work to help that plan succeed.

The basic costs of providing what the people of Oneida County need goes up. The only way we can provide services while minimizing costs within our control is to expand the capacity of County Government to do more with less. I began that process in 2003 and it will continue. One measure of efficiency is how much we spend on payroll out of our total budget. The 2005 State Comptroller's report noted that Oneida County – even before our most recent cuts – spent 22.6% of its budget on salaries, below the statewide average of 25.3%.

The 2006 budget formally brings together our Office for the Aging and the Department of Mental Health under the direction of Department Head Ken Abramczyk, whose department will have a new name and structure. Likewise, we will merge the Division of Budget with the Department of Finance, building on the cooperative relationship that has existed this past year to centralize our offices. Any required legislation to implement these changes will be sent to the Board once the budget review is completed.

I will also be seeking the Board's input as we restructure County Government to increase efficiency. I am asking this Board to appoint two members who will work with my administration as we realign our structure through mergers, consolidation and other changes to get the results we need.

These changes follow our efforts in 2005 to privatize our home health care business, ending an operation that was losing money and competing with the private sector. It meant layoffs. It was a hard decision, but it was the right decision. The coming year will see more difficult decisions as we focus on core missions, develop the right structure and maximize efficiency. Part of my process to explore new ideas will involve meeting with the state Comptroller's office, which has responded to my invitation to help me assess where we can structure ourselves to save money.

The county workforce continues to shrink. We have reduced positions every year. We will continue to do so. There were 1,791 positions when I came here in 2003. Now, there are 1,650. That's a 7.8% decrease.

I said in my fiscal plan released this July that my goal for 2006 was to cut 100 positions. In this budget, I plan to eliminate 58 positions and expect that our early retirement plan, which will be announced shortly, will reduce the workforce even further. As we realign our structure, the workload doesn't go away. Some people take on new responsibilities. That has led us to adjust several positions to reflect these changes including one new grant-funded position being created in the District Attorney's Office.

People who do not want or need services from County Government talk freely about mass layoffs. They don't wait in line for Medicaid or HEAP. They don't call the Sheriff's Department for help. They don't know seniors who rely on Office for the Aging outreach to stay in touch with the world. Whether it's the flu, a flood or a problem too big for a community to handle, County Government gets the call. Hurricane Katrina taught us what happens when government – the last line of help for those in need – fails to function.

Perhaps Lincoln said it best when he commented: "I am a slow walker, but I never walk backward." Reorganizing this cumbersome government is going slower than I wanted, but it will keep moving forward.

The cost of our Sheriff's Road Patrol is one of the few items borne entirely by County taxpayers. The \$4.7 million the road patrol spends is a major budget expense, but fills a huge need. In the last few weeks, Sheriff Middaugh and our budget team have had very spirited discussions over costs. But I am committed to maintaining the safety of the people of Oneida County through an effective Road Patrol. I am also committed to working with all of the communities in the county and with other elected officials such as District Attorney Michael Arcuri who is trying to help foster discussions that can achieve realignment of service delivery so that we can provide the same protection at a lower cost. The Road Patrol is one of the functions that you will see grouped into discretionary areas in the budget book. We reorganized the book so that you could easily see what is mandated and what is discretionary.

County Government is the place of last resort for agencies that can't find the money they need anywhere else. I recognize our obligation to those agencies. This budget provides a 3% increase to libraries and cultural agencies that were funded in this year's budget. The capital budget, which also supports our vital highway infrastructure, will continue to support the Stanley Performing Arts Center's revitalization project with a contribution of \$1,000,000 in 2006. Similarly, we propose capital contributions of \$700,000 for the Utica Public Library and \$500,000 for the Jervis Public Library for necessary HVAC renovations. Such contributions, however, should not be looked upon as perennial, because the fiscal environment in which we live is just too volatile.

I also recognize that the towns, whose highway departments plow county roads, face a fuel price crisis. This budget includes a fuel adjustment to ensure that town taxpayers do not bear an added burden.

Because Niagara Mohawk is seeking a county tax refund of \$917,544, we propose an increase in the reserve for unpaid taxes of \$500,000 in 2006. Given a projected growth in taxable value of \$81 million from 2005 to 2006, this action will allow us to cushion the blow from this very large assessment reduction.

This budget is part of the long-range fiscal forecast that I released in July.

We are providing tax stabilization and relief through cutting the 1.5% sales tax next December and using the unique opportunity provided by the tobacco securitization to stabilize property taxes.

We are reducing the size and scope of County Government through reorganizations, an early retirement plan and more job cuts. As I said in the fiscal forecast, the management salary structure I inherited – and which can only be changed with Board of Legislators approval -- needs to be revised, which will happen when reorganization is complete in 2008.

We continue to increase operational efficiency and effectiveness, through my Vehicle Replacement Policy (including a performance audit by County Comptroller Joe Timpano), streamlined contract administration, quarterly Budget Progress Reports and realignment of services to reduce the overall cost of vital government functions. Director of Central Services Anthony Milograno is working with my office to implement Managed Competition and further reduce costs.

Creativity and innovation make County Government work. Because one government's junk is another person's treasure, Purchasing Agent Mello Testa sells surplus items on e-Bay. This innovative idea has produced \$188,000 in sales, and saved us the costs of disposing of items we can't use.

County Government is a catalyst that makes things happen. Because we stepped in and showed leadership, CENTRO is providing efficient transit service in Utica and Rome. Without county involvement, two under-funded systems would have floundered. We turned that around, and we now have a solid transit system we can use to get people to jobs.

Our track record goes beyond CENTRO. In this past year we've fought for the people of our county in Albany to limit the burden of Medicaid. In just a few months, Our Office for the Aging has distributed 12,000 drug discount cards as part of our Pharmacy Benefit Manager Program. This project has produced savings on skyrocketing prescription costs to help seniors and families make ends meet.

Day in and day out, thousands of people rely on County Government. In 2004, our Health Department provided 13,396 immunizations, screened 3,395 children for lead, made 3,356 home visits under our Healthy Families program and provided health clinic services to 2,500 people. We fund codes inspectors in the cities of Rome and Utica. We have increased our commitment \$100,000 next year - to a total of \$6,462,059 - toward education for the future at MVCC and our support of community renewal with another \$300,000 commitment to the HOPE VI project in Utica.

We provide road patrol services that are the major line of defense in many of our rural communities. We serve as a focal point for leadership to realign service delivery and reduce the overall cost of government, because the people cannot continue to pay for the structure of government as it exists today.

All of this is part of our mission:

- To deliver services for those in need at a cost we all can afford;
- To provide leadership and a rallying point for local economic development efforts
- To rise above petty bickering and develop regional solutions to complex problems;

I look forward to a continued positive, productive and bi-partisan relationship with this Board as we work together to achieve our shared vision of progress for the people of Oneida County. In the coming weeks, we will hear distorted numbers and simplistic solutions offered by a few elected officials who will act irresponsibly. Campaign mode and campaign rhetoric produce slogans. Slogans are not solutions.

Instead of trying to use numbers to fit preconceived notions, I ask everyone who wants to have a sincere role in the budget debate to look at the facts in the budget document, ask questions and preserve the unity we need to move this region forward.

We face challenges. Mandates continue to try and drag us down. Costs and needs are both rising. But with 1,000 new jobs and great potential for even more economic growth, the property tax stability the people of Oneida County need and deserve, and a regional can-do spirit from our victory with BRAC, Oneida County is moving forward into a brighter, better future.