

County Executive Anthony J. Picente Jr.
Budget Presentation to the Board of Legislators

October 13, 2010

Honorable Members of the Oneida County Board of Legislators

In accordance with the terms of the Oneida County Charter, I appear before you today to present the proposed operating budget and capital project plan for the year 2011. At this time, I wish to thank the members of this Board for granting additional time to present this budget. Your forbearance has allowed us valuable time to deal with the unique circumstances of this budget, and I thank you for your cooperation.

When we gather in this room to talk about the county budget, we usually focus a lot on the numbers. I want to take some time today to look beyond the numbers because although a budget and a budget book are filled with numbers, County Government is not about numbers – it is about people.

There are three groups of people who have been on my mind as I developed this budget.

Foremost, I am concerned with the families and businesses whose budgets are already strained by tax increases at other levels of government and a turbulent, unsettled economy. Even though we know that county taxes typically make up the smallest share of an overall property tax bill, when budgets are straining, even small increases are hard to take. Although Oneida County was not mentioned in the recent report by the National Tax Foundation, which lists many other Upstate New York counties among the top ten for property taxes in the nation, the point is clear:

we must minimize tax increases to support our businesses so they can thrive and our homeowners so they can endure.

Public employees rarely get the credit they deserve for the work they do. My goal in developing this budget was to work with our county employees, the people who make government function, so that preserving jobs could be accomplished despite the grave fiscal crisis we were confronting. Once the budget team alerted me in August of the size of the crisis we faced, I tried to develop innovative and creative options to reduce costs and preserve jobs. I regret these options found so little support on the other side of the negotiating table.

Last but not least, I want to mention one other very important group of people. Every morning, a line forms outside this building. That line is made up of people who need assistance from Social Services. Because there are so many in need and so few who can process applications, the only way to be served is to get there early. One day this summer – July 27th to be exact, that line started forming at 3:42 a.m., according to the security camera tape we have, and continued growing at 4, 5, and 5:30 until by 8:30 it was reaching around the building. These people, the people who have hit hard times, come to County Government because our purpose is to help them. Unlike the private sector, where business goes down in a bad economy and there are fewer people needed to make or sell products and services, here in County Government, the needs go way, way up when times get hard. If I could create a budget to properly serve these people who brave all kinds of weather to come for help, I would have done that.

I am angry and resentful as I bring this budget to you, because this County Government has been forced into a situation where State Government's unwillingness and inability to provide sound fiscal leadership and to pay for programs it requires has created a competition among these groups of people – none of whom should pay the price for Albany's refusal to properly

fund mandates, chiefly Medicaid. In today's fiscal environment there are no easy or good choices.

Let me summarize our fiscal situation this way. Our projected 2011 Medicaid bill is \$54 million. Our projected property tax levy is \$65 million. That means 83% of what we collect in property taxes is gone before we ever see it, leaving \$11 million in property taxes to help run County Government. Think about that.

This is not a sustainable model for county government, but it is a model that the State of New York and its leadership has allowed to grow until we have reached this point: the core mission of our government is being threatened by an inefficient, inept and uncaring Albany bureaucracy that pulls money out of this community with no regard for our welfare. The Medicaid cap New York implemented avoids cost spikes, but it did not stop annual Medicaid increases that are now topping \$1.8 million per year.

Veteran legislators might shrug right about now and ask, "So what else is new?" Many times in this room, the Medicaid monster has been invoked. There have also been many times when, looking at the hard choices that come with accepting an unpleasant reality, the county has backed away from actions no one wants to take.

The budget I present to you today is the product of hard choices. Let me walk you through the process. Our planning for 2011 started with a gap of around \$20 million. The major parts of that gap were the increase in Medicaid costs and the loss of FMAP funding (about \$6 million in these two areas alone), other mandated costs and costs for salaries, benefits and retirement system payments. Oneida County has used FMAP funds in the way they were designed: to stabilize taxes over the past two years. As the funds dry up, our difficulties multiply and our options diminish.

As I stand here today, presenting you a balanced budget for 2011, the real headline is not that we had to make cuts beyond anything this county has seen in many years; the miracle is that we could accomplish the job at all. Throughout this budget, departments held the line or made reductions in light of this crisis. Before anyone asks, yes, we have done the basics. We eliminated equipment. We reduced overtime. We reduced pens and pencils. We are increasing sharing. Our capital budget has been trimmed back to reduce future interest payments. This budget doesn't have fat; it funds a skeleton government that will provide mandated services and critical programs, but it will not fund what we cannot afford.

In past years, we have used attrition as the main way to reduce our workforce, one of the costs we do control. Last year's early retirement program that we initiated led to a reduction of 35 jobs resulting in a savings of about \$1.4 million overall. This year, it was clear from the size of the potential deficit that we had to do more.

As soon as I realized the size of the budget gap, I asked the four bargaining units for a one year freeze on the wages of all County workers. This would not have closed our budget gap completely, but it would have eliminated a \$3.5 million increase we cannot afford. In a good-faith effort to work with our workforce, I advised the unions that failure to implement a freeze would require reductions through layoffs, because that was the only way to avoid a cost increase we cannot afford. There were discussions. In the end, there was no agreement. To this day, I still don't believe employees got the entire story of what we have been trying to accomplish, and just how desperate we are to avoid layoffs.

As a result of the unions' unwillingness to embrace what I know was a sacrifice for everyone, the only alternative we have for lowering the cost of County Government is to lay off workers, a task I have always considered the last option, and one I have repeatedly rejected in the

past, because despite this budget and differences with union leaders, I truly respect the work of our employees.

I remain committed to the fairest possible solution, and although I needed to submit this document to fulfill my obligations as County Executive, my door remains open to union leaders who – upon seeing the reality of what must be done without a freeze – may now wish to discuss and implement a one-year wage freeze. We will continue ongoing contract negotiations to succeed the agreements that conclude this year, and I will work with our unions to provide our workers with fair compensation.

This budget will delete 76 positions, including positions in the Road Patrol, Corrections, Social Services, Probation, and Public Works and require 70 layoffs. The incumbents in the positions being deleted may not be the employees affected by layoffs. There will be a period of uncertainty until a final budget is adopted, and I ask that employees affected by this process work closely with Department Heads and Personnel. Most of those impacted by layoffs will be put on preferred lists for openings that occur through retirements and departures.

All management employees on the M, P, and H scales will be incurring a one-year wage freeze. This is what I wanted to do with employees covered by bargaining units.

In addition, another 58 positions are being deleted as a result of the 82 employees who have elected to participate in the state's early retirement program. Retirements and position deletions touch multiple departments.

The bottom line is that 134 positions will be deleted. I take this step reluctantly, because I know that caseloads and needs are rising and that the increased workload must now be shared by

fewer people. However, having explored all the options on the table, I bring this plan to you as the best course of action.

Other than in the area of 911, the only position increases in this budget come in the Public Defender's Office, where we have reviewed the costs of implementing a system of conflict defenders against the costs of hiring assigned counsel. We began this review because the program's costs were exceeding the state aid we received to operate it, and this is a better alternative from a fiscal perspective. This will result in a projected savings of \$300,000. To address retirement cost spikes, the budget calls for amortizing payments over 9.5%.

The cuts we are making internally will not fill the fiscal hole we face. Despite the layoffs, position deletions, and wage freeze for management employees, the fact that employee unions rejected a one-year wage increase for 2011 means that more than 1,000 employees will still receive raises of 3% or 4%, increasing our spending on salaries alone by more than \$1 million.

Funding to outside agencies is being severely reduced because we cannot share money we do not have. Our libraries are being asked to accept a 25% reduction in aid for 2011. Our support for the Utica Zoo will total \$300,000 – the limit required by the regionalization agreement. I can share what we have, but when times are so tight we must lay off people, there are no untouchable budget lines. As you look through this budget, you will find dozens of places where we have cut. Many departments heeded our request that they go back to 2009 levels when making their plans for next year. We have held MVCC aid flat. Our capital budget bonding totals \$7.6 million for critical infrastructure repairs, a smaller-than-usual amount to minimize interest costs going forward.

Even these cuts are not enough. The budgeted property tax levy will increase 4.3% in 2011. Projected for 2011 is a very small growth in taxable value along with an increase in the

reserve for uncollected taxes. This equates to an average county tax rate of \$9.73 per thousand of taxable value in 2011, or an increase of thirty-seven cents (\$0.37) over last year's average of \$9.36. While tax rate changes in each municipality vary each year due to assessment changes and equalization, on the average taxable value in the county of \$70,443 this works out to an average increase of about \$26 per year. My goal when I started this process was to avoid any tax increase. However, as long as New York State compounds the fiscal troubles of county government by piling on mandates, piling on costs and failing to pay timely reimbursements, we cannot avoid an increase.

This budget includes a 30-cents-per-month surcharge on cell phones and a 35-cent-per increase on the existing fee for land line phones to support the costs of bringing Utica and New Hartford into the fold and consolidating 911 Emergency Services.

Consolidating 911 services has long been an urgent regional priority. For years we had talk. I have acted. When the county adds services, we also add the costs of those services. Oneida County will do with 15 people what has taken Utica and New Hartford 24 people to do. That reduces the overall cost of service, and the 2011 New Hartford Town Budget reflects \$600,000 in savings due to this consolidation. However, the county's costs must be matched by revenue. The 911 system was designed to be supported by fees on wireless and land line phones, not to be a burden on the property taxpayer. The state collects a surcharge that was supposed to help all areas with 911 costs, but only 5% of that revenue ever leaves Albany. To fund the 911 system this county deserves, we are on our own.

A cell phone fee broadens the base of people paying for 911 services, so that the cost of a life-saving service is shared by everyone who, one day, might need to call it. To me, this fee – a penny a day to save a life -- is common sense. Enacting the cell phone fee brings us into line

with 47 of 57 counties that have fees in place, including our neighbors in Herkimer and Madison counties and counties across Upstate. Without the fee, the options are either to halt the 911 consolidation without adding Utica, or to increase the property tax. Both are the wrong approaches.

I believe in making conservative revenue projections. Back in 2009, our actual sales tax receipts totaled \$82,414,808. Since then, we have increase our budgeted projections by 2.78% per year, a very conservative figure that reflects the need for caution in predicting consumer behavior months down the road. This coming year, we will be accessing revenue in our fund balance, including \$1 million from a fund created years ago to follow a state fiscal edict the state has long since backed away from.

We continue to look for a solution to the long-standing dispute with our neighbors the Oneida Indian Nation. The state has shown no leadership in developing any type of solution. With the U.S. Supreme Court having agreed to hear an appeal of a lower court ruling that claimed the **Oneida Indian Nation had immunity from county land foreclosure efforts**, we are hopeful of a ruling that will favor our case, but I believe that a negotiated settlement to move this region forward remains an even better hope for our long-term progress.

We must face the fact of an unpleasant 2011 because 2012 could be just as bad, if not worse, unless there is dramatic and unforeseen action to help counties.

The solution to the issues facing this county – and many counties across the state – is to enact major reforms at the state level. As has been said in this room so many times before, County Government makes its plans, and then the costs of Medicaid wreck them. Between lost revenue and increased costs, Medicaid is a \$6 million burden on this budget.

Let me tell you something. This budget accepts that New York will continue to stonewall us on paying its reimbursements in a timely manner. To be prepared for continued delays, we have been compelled to budget \$100,000 for interest on any borrowing we may need to do to maintain our cash flow. It is unfortunate that the state would willingly add costs to taxpayers in this fashion.

I need to leave you with the clearest possible understanding that the fiscal fate of Oneida County, and many other counties, rests in the hands of state leaders who continually refuse to address the issue of controlling Medicaid costs. All across New York State, increases in Medicaid costs and reductions in FMAP revenue are causing havoc:

- Albany County is considering a tax increase of 15% and the elimination of 511 jobs.
- Broome County is proposing a 5.35% tax increase and eliminating 115 jobs.
- Chautauqua County is increasing taxes 9.2% and cutting 59 jobs.

Whatever the dynamics are of the new administration and the new power structure in Albany after next month's elections, I will be asking this Board to join with me and send a strong message that counties cannot continue to be forced to pay for a program they cannot afford. Medicaid and other mandates represent massive, capricious fiscal burdens on Oneida County, imposed by the state of New York. The state requires that we feed Medicaid truckloads of dollars a day while we starve the needs of our communities. If the state was a parent and the county a child, it would be in court for neglect. I say: This must change.

Veteran legislators know I am not the first County Executive to call upon the state in the name of fairness and common sense. From my time here in the 1990s until today, one thing has been constant: If the state gives with one hand, it takes away with the other. That is why Medicaid reform must include either a state takeover of all costs, as the New York State Association of Counties and I are proposing. We need to slay the Medicaid monster once and for all, and that can only be done in Albany. Back in 2004, the Public Policy Institute noted: “the only real solution to the Medicaid problem is to cut the cost, not shift it around.” We’re still waiting for that day.

This budget is a starting point. I do not expect that what is left out of this budget will be restored; in fact I believe that in the coming year, just the opposite is likely to occur. Operational and management decisions are going to be required to do business as we have never done business before. County-owned assets, including land and buildings, are up for sale. We may not sell any of them, but we are going to try. Decisions about whether to maintain satellite offices, extend hours, make overtime a routine part of life – all these must be re-examined to find ways to manage even below this budget’s level of spending.

I want to you know that the process of managing for 2011 has already begun. We are being very prudent in this last quarter. I have instructed each department head that all purchases, as well as hiring, will be suspended until the end of the year. That freeze may stay in place when the year ends. We are doing all that we can to ensure that we will finish this year within the 2010 budget. However, I am concerned about two departments. In the Sheriff’s office, the Correctional Facility reached its budgeted amount of overtime at the end of August. If steps are not taken now, that facility’s budget is projected to be close to \$750,000 over budget at the end of this year. In addition, the County Clerk is collecting considerably less revenue than budgeted.

If there is no change in the amounts collected, or adjustments aren't made in that office immediately, then the clerk's budget will be \$1 million short at the end of this year.

This is a very difficult budget season in a very unstable economy. County government is in a situation where hard times are causing an increased demand for our services, but have also created fiscal stress on all of our property taxpayers. This situation is compounded by the actions of state government that have added to our fiscal distress.

This budget allows County Government to endure, despite strains that will impact departments across the board and the loss of colleagues who I wish could remain with us. It allows us to continue to uphold our commitments to our taxpayers that when we ask them for more, it only comes after we have already agreed to do with less. And, above all, this budget allows us to remain able to provide the hope and help that brings people to our door at 3:42 a.m.

It is not going to be easy; it never is easy. But we will endure; we will serve the people of this county, and we will fight with Albany without ceasing so that we can frame next year's budget by looking at the needs of our county, and not battling an uncaring state bureaucracy that buries us in mandated costs.

The coming weeks will be a time of intense discussion and debate as we discuss this budget. I strongly urge all of you to accept the limitations of this budget's spending bottom line, because the simple fact is that we don't have the money to spend on anyone's wish list and I will veto any changes that increase property taxes. I look forward to your budget review as an opportunity to refine this document, and I remain committed to an open, honest dialogue with everyone so that the budget this board adopts next month will be the best it can be in these difficult times.

This is a difficult budget. It is an honest budget that meets hard times head-on. Many of you have been told in this room that the Day of Reckoning will come. My friends, it is here.