

Kathleen M. Jimino
County Executive



Ned Pattison Government Center
1600 Seventh Avenue
Troy, New York 12180
Phone: (518) 270-2900
Fax: (518) 270-2961

COUNTY OF RENSSELAER

To Honorable Neil J. Kelleher, Honorable Members of the Rensselaer County Legislature and Citizens of Rensselaer County:

PREFACE

The 2010 proposed budget is an analytical view of what has been occurring in county government and in a sense what we can expect in the future. This budget proposal has been accomplished while at the same time continuing to address the implementation of strict internal fiscal controls and guidelines which frankly has been the hallmark of my administration. We have accomplished this without compromising our local needs as we continue to fund local programs that benefit our taxpaying residents. This has been accomplished, despite the fact that this County, as well as other counties throughout the state, is undergoing severe fiscal shortages that threaten the very services that have been delivered over the years. In this regard, we must be appreciative of the role that many volunteers play who have stepped to the plate to help deliver our services and by so doing have been partners in keeping our County fiscally solvent.

Difficult but necessary decisions have been made including my rejection of additional departmental spending requests for the eighth consecutive year since assuming office. Cooperation, coordination and consolidation have been key factors in assuring that our county taxpayer dollars are spent in the most conservative manner. County employees and their department heads should be congratulated for realistically confronting problems and working hard to create meaningful solutions and I would be remiss if I did not thank the members of the County Legislature for working with me regarding these matters.

As I have said in the past and will continue to say, we must balance the service needs of our residents and businesses with their ability to afford taxes. To this end, our management practice of taxpayer resources has been acknowledged by municipal finance experts with the consistent clean audits and balanced spending record over these recent years with this year being no exception.

ECONOMY

It's a fact unique to county government that when times are tough more and more people depend on us for their service needs. The impact of this locally can clearly be seen as we note that the County's unemployment rate as of August is 7.6% when at the same time last year it was only 5.2%. Coupled with this is the fact that one out of every seven residents of Rensselaer County is receiving Medicaid, a program which remains the largest single mandated service that our county taxpayers are burdened with. Additionally, among other increases in direct services rendered by the County, when comparing those served this August with those in August 2008, there is a 20% increase in the number of children in foster care, a nearly 15% increase in the number of people receiving Temporary Assistance, a 22.3% increase in individuals in our Safety Net program mandated by the State, and nearly 19% more people using food stamps.

At the same time we are seeing this increasing demand for services, as is predictable during these difficult times, people have less disposable income to spend at our retailers, less homes are being bought, less businesses are expanding, and for some property owners, their ability to pay their property taxes has been compromised. Consequently, we are collecting less money from sales tax and property tax, as well as other revenue sources. This revenue decline is being experienced in every county throughout the state and by the State itself and is symptomatic of current economic times.

When we combine today's increasing expenses and decreasing revenues, we in Rensselaer County must be cognizant of the fact that we cannot reduce those expenses that are mandated by state law. Instead, if we are to balance our expenses and our revenues by cutting costs, we can only look to those services that are not mandated by the state. These services include our Sheriff's road patrols, maintenance of our roads and bridges, and services to our seniors and veterans. Fortunately, this year we have been able to stave off cuts to those important local services to a large extent because of the stimulus funding that has been directed to increase federal funding for the Medicaid program, thus reducing the requirement for local and state dollars. Therefore, although still of substantial local cost to county taxpayers, local taxes previously spent on Medicaid can now be used to continue those local services our residents have come to expect and rely upon.

SPENDING

Looking ahead to the 2010 budget, the challenges of our economy that we have been dealing with in the current year while expected to continue are not insurmountable if we face them realistically. This will require that we first identify the challenges that require additional spending for 2010.

Cost Shifting from State Government

It is both disappointing and derelict that the State balanced its 2009 budget by shifting costs to the counties and our property taxpayers. Reimbursement for the housing of state ready inmates in our county jail was eliminated as was funding for administration of the state's STAR program and funding for Empire Zone administration. Reductions in funding were also imposed by the State in other departments, Probation, Public Health and the District Attorney's Office being but a few examples. Despite these decreases in funding from the State, the State does not decrease the mandated demand for providing these services. Consequently, instead of the State cutting costs to balance their budget, they have shifted those costs to county government and our property taxpayers.

Mandates

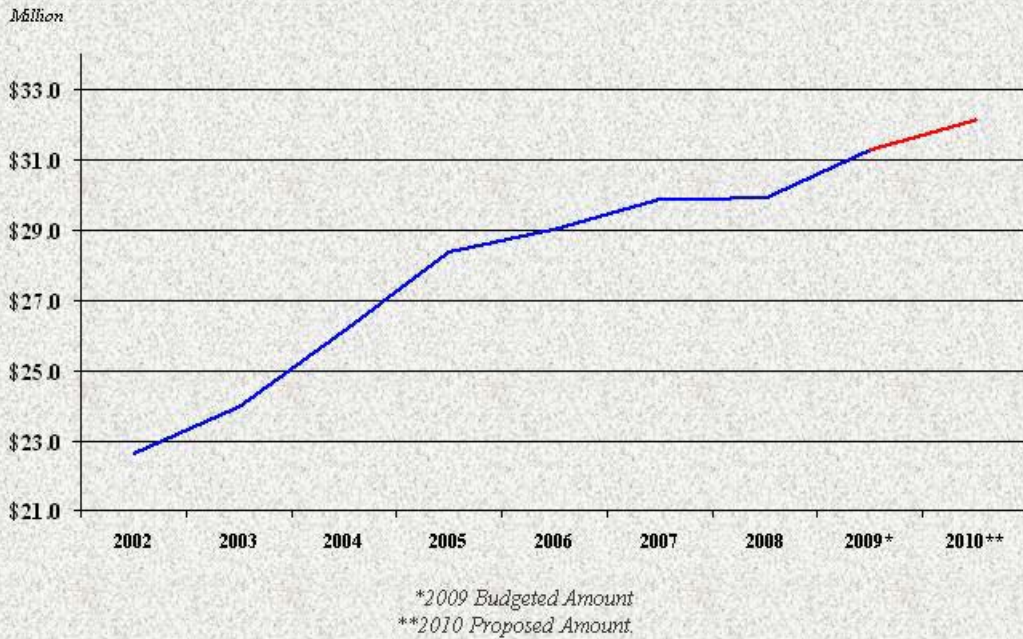
Demands for county funding for existing state mandated programs are estimated to increase by \$6 million in the 2010 budget. These are programs that the County is required by state law to provide and either partially or fully fund with local tax dollars. The County has little if any ability to reduce the costs of these programs as it is the State that determines who is eligible for these services and how much is to be paid for these services. Consequently, we cannot reduce these mandated costs.

One example of the impact of mandates can be found in the newly expanded county jail, said expansion having been mandated by the State. The 2010 county proposed budget includes nearly \$700,000 in additional funding for staffing, food, medical care, utilities, and other expenses associated with the operation of the enlarged jail which is based on the requirements dictated by the State Commission of Corrections with no money provided to pay for these increased expenses.

And as we talk about state mandated programs we should review the current status of our largest mandated expense, Medicaid. As one of only 20 states that require any local government financial participation in the Medicaid program, New York State demands through mandates, the highest percentage of funding from its counties. When we combine Medicaid with all other state mandated spending, is it any wonder then that the Citizens Budget Commission reports that local taxes in New York State are 79% higher than the national average?

The 2010 proposed budget includes \$32.1 million for the county's mandated share of the Medicaid bill. This is an increase of over \$2 million from 2008 even though the county's share has been partially capped. This ever increasing cost represents an onerous burden to our county taxpayers as seen in the chart that follows.

Rensselaer County Net County Medicaid Expenditures



One of the largest percentage increases in program expenses in the 2010 proposed budget is in the area of employee retirement benefit costs. Because of the precipitous decline in the stock market, the State's retirement fund has lost considerable value. Consequently, the charge to the County for our share of retirement benefits to our employees will increase by nearly 50% or \$2.3 million due to the state mandated requirement that the pension fund be kept whole. Projections from the State Division of the Budget indicate that pension costs to the County will continue to rise for the next few years and are expected to be three times the 2009 costs by 2012 demonstrating continued pressure on current and future County budgets.

And as long as we are talking about the combined pressure that affects how our County tax dollar is spent, as we work to assure the delivery of non-mandated county services in the face of monstrous mandated costs, the following chart demonstrates the seriousness of this critical problem. As seen in this chart, 90¢ of every local tax dollar collected is spent on services mandated by New York State which leaves precious few pennies to provide local services that are so critical to the quality of life our residents and businesses experience.

Rensselaer County Residents
Costs Of Mandates To You And Your County Tax Dollar

90¢
Mandated

10¢
Non-Mandated



COST CUTTING INITIATIVES

As in past years, departmental funding requests for the 2010 budget included initiatives that although they would be useful, were not deemed essential particularly during these difficult times. Consequently, I cut them. When combined with prior years' reductions, the total cuts amount to \$36 million over the past eight years since assuming office. Some examples of cost cutting initiatives included in the proposed 2010 budget follow.

Medicaid Fraud

As a result of a previous investment in Medicaid fraud detection, the County is now able to access the state's billing data for Rensselaer County and analyze that data to ferret out instances of fraud or abuse. Even as our staff was beginning to come up to speed on the new tools available to us, it became obvious that some of the Medicaid funding was being misspent. After only nine months of analysis, we have been able to reclaim misspent money of nearly \$380,000 representing a savings to local, state and federal taxpayers, an excellent beginning for a program that shows much promise.

Recently, a 12 county group was formed in New York State to collaborate on their respective use of the Medicaid fraud detection program, their priority being to exchange information on successful strategies to help one another further reduce fraud and inappropriate Medicaid spending. The 2010 proposed

budget anticipates continuing these fraud detection efforts with the expectation that continued training and collaboration with other counties will lead to further savings to our taxpayers.

Detention

For several decades Rensselaer County has operated a non-secure detention facility that was created as a short-term option for youth who are awaiting Family Court appearances. However, the non-secure detention facility is no longer recognized as a best practice model, and in fact we are the only county in upstate New York that still operates a non-secure center. With the introduction of statewide PINS reform legislation over the past few years, placement in our facility has been gradually reduced.

Several counties in the state have implemented model programs treating children in evidence based alternatives to incarceration in their home communities. These programs have been shown to be more effective and less costly in helping children stay out of trouble. After having studied the detention services in this County, the 2010 budget proposes to adopt a similar strategy here.

This approach will include the use of evidence based risk assessments at the Family Court to determine level of risk and need for youth. The best interventions to match the youth's level of need will be implemented through the development of services that are alternatives to detention placement including GPS/electronic monitoring, and a community based care team. In those instances where placement remains absolutely necessary, contracted non-secure detention beds will be used with the goal of returning the youth to their home community as soon as possible.

As a result, this budget proposes the closure of our non-secure detention center by April 1, 2010. While the primary gain from this approach is better outcomes for the children being seen in Family Court, we estimate that the taxpayers will save over \$250,000 in the first three years of this new proposal.

Personnel

In light of our contractual obligations to our employees, most will receive a three percent increase in their salaries in 2010. In light of the difficult economy however, department heads and deputy department heads will not receive a salary increase, despite very deserving performance, and will remain at their 2009 salary levels.

Additionally, as a result of this proposal, 24 positions will be cut from the budget resulting in up to 20 layoffs from the closure of the non-secure detention facility. 12 positions are also added to address a broad range of county needs including the necessity of dealing with the state's ongoing practice of increasing mandated services as well as shifting state services to the county level making them our responsibility and the responsibility of our taxpayers.

As well, with the elimination of several state funded grants, three positions in the District Attorney's Office will now be paid entirely from local tax levy funds. This brings to seven the number of positions in that office that were previously funded with state grants that will now be funded with local tax dollars, representing yet another shift in costs from the State to the County. I propose this additional local funding recognizing the need to continue to provide the resources necessary to ensure the safety of our residents.

REVENUE

Sales Tax

As with all counties across the state, our sales tax collections this year are lower than in 2008. Fortunately, our collections have not declined as much as in some other counties and since our sales tax collections are traditionally not as high as some of our neighboring counties we are not quite as dependent on them. However, our projections for 2010 reflect a lower level than what was anticipated in the current year budget.

Other Taxes and Fees

Most if not all other categories of taxes and fees included in the 2010 proposed budget are also projected at lower levels than in the 2009 budget. This reflects the current economic conditions and the likelihood that we will continue to be impacted by them going into 2010.

County Clerk Filing Fee

As was included in the budget adopted by the County Legislature last year although never enacted, the 2010 proposed budget includes an increase in the County Clerk filing fee. You may recall that the State Legislature authorized the imposition of this fee increase in August of 2008 after having imposed a 2% reduction in aid for all county run programs, mandated and non-mandated alike and a further reduction of 6% in funding for non-mandated programs later in the year. The fee increase was intended by the State to help counties absorb these reductions. This would be the first increase of this fee since 1968. To date, 49 of the 57 counties eligible to increase this rate have already done so and I am once again proposing to the County Legislature that they act in a similar fashion. This represents \$1 million in funding that would otherwise have to come from our property taxpayers.

PROPERTY TAXES

As we present the 2010 proposed budget we are mindful of the challenges that our families and businesses are facing in light of the current economy. We are also cognizant of the fact that as was mentioned earlier, New York State has the dubious distinction of being the state with the highest local taxes in the

country due in large part to the unfunded mandates that are passed by the state to counties as researched and noted by the Citizens Budget Commission.

A further reflection of the difficult economy can be seen in that the assessed value of taxable property in the County declined from last year's level. Consequently, the amount of tax dollars that would be generated with the same tax rate as last year would also be lower. Thus we are faced with a remaining gap in our 2010 proposed budget that will require an increase of three percent in the tax rate. Consequently, the **average** annual County property tax bill will rise by \$11 to \$534 for each \$100,000 of property value.

As a matter of clarification, the proposed county tax rate and its change from the current year's rate will vary from one municipality to another. This variance is due to the individual municipalities' equalization rates as established by the New York State Division of Real Property Services as well as the property assessments as established by the municipal assessors.

Under this proposed budget the county portion of a property owner's total tax burden would represent approximately 19¢ of every dollar.



For County property owners who live in either the City of Rensselaer or the City of Troy, the county portion of their overall property tax burden amounts to 15¢ of every dollar.



CONCLUSION

As difficult as the times are for the year ahead as predicted in this budget proposal, I am most concerned about the coming fiscal difficulties.

The current year's budget as well as the 2010 proposed budget reflect the infusion of federal stimulus funds aimed at helping us provide so many of the county safety net services that people rely upon during tough economic times. With the stimulus funding gone after 2010, unless there has been sufficient recovery in the economy, we are left with additional service needs and depressed local revenues resulting in a significant cost to our local taxpayers.

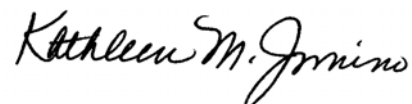
At the same time, on the State level, a gap of between \$3 and 4 billion is estimated in the current state budget, as well as \$4.5 billion and nearly \$14 billion in the 2010 and 2011 state budgets. If history holds true and the State attempts to reconcile its budget by shifting costs and increasing mandates to counties, the impact to our property taxpayers will be dramatic and I would predict, devastating.

What taxpayers in Rensselaer County and all across New York State need is for the State to reduce its spending, and not shift it to counties. That can only be done by the State realistically looking at how much money people can afford to pay and what services must be provided. For too long the State has continued to increase spending when our families, our businesses and your county government have had to make the tough decisions on how to make ends meet. Why should the State be different? Continuing unchecked spending habits and continuing to increase taxes at the state or local level to pay for state programs is a recipe for disaster that will make it difficult to attract businesses and families to this State to stabilize and fertilize our tax base.

As for Rensselaer County, our commitment remains the same, that being to assure that self service never takes the place of public service. By assuring this, we continue to work hard doing the fiscally prudent things that must be accomplished on our local level, while at the same time assuring that the continuity of quality local services be delivered, being always mindful that our county taxpayers must be able to afford the fine quality of life found right here...When all is said and done, that is what we were elected to do.

Please be advised that my Director of Budget and I, as always, are available to assist you in any way that you feel we can. Please do not hesitate to contact us with any questions, comments or concerns. Thank you.

Sincerely,



Kathleen M. Jimino
County Executive

ACKNOWLEDGEMENTS

I extend my personal thanks and acknowledgements to Director of Budget Stacey Farrar and her staff David Snyder, Marc D'Amore and Theresa Bohley; Chief Fiscal Officer Michael Slawson, and Director of Research and Information Services Vincent Ruggiero for the hard work and the countless hours they devoted to this budget document.

I also extend my thanks and appreciation to all of the Executive Department heads, elected officials, and County employees who dedicate their service to the residents of Rensselaer County and make Rensselaer County the ideal place to live, work and raise a family.