ASSUMPTIONS

Larger local governments are more efficient

Consolidated local governments are more efficient

High property taxes are local government’s fault

Larger governments encourage greater economic growth

Smart growth & regional planning improve competitiveness
Domestic Migration Losses: New York
EXCEEDS KATRINA HIT LOUISIANA: 2000-2007

PER IRS:
Net Personal Income Loss
$27 Billion (2006)
New York Competitiveness

2 PRINCIPAL ISSUES (PROBLEMS)

High Taxes
High Cost of Living
Local Government Consolidation: Actual, not Theoretical Experience

New York City (from NJ)
... the harmonization of wages and service levels has resulted in higher costs for the new City. We will all continue to feel these higher costs in the future.

Toronto City Summit Alliance 2003
Toronto’s Costly Consolidation

“HIGHEST AND WORST”

IMPACTS OF CONSOLIDATION

“Leveling up” of service levels

“Leveling up” of labor contracts (“highest and worst”)
Power Shift: People to Special Interests
LARGER GOVERNMENTS. V. LOCAL DEMOCRACY

IMPACTS OF CONSOLIDATION

Loss of local democracy
Voter control is diluted
Economies of scale for special interests
Per Capita Taxation & Jurisdiction Size
NEW YORK & OTHER STATES

Taxation per Capita vs. Average Jurisdiction Population

- Other States
- New York
Government Efficiency in New York

Alfred E. Smith
State Office Building
Albany
NY: Highest State & Local Taxes
NEW YORK & OTHER STATES

Taxation per Capita

- $0
- $1,000
- $2,000
- $3,000
- $4,000
- $5,000
- $6,000

- Yellow: New York
- Green: Other States
NY: High Federal Revenue per Capita

NEW YORK & OTHER STATES

Revenue per Capita

- New York
- Other States

$0

$1,000

$2,000

$3,000

$4,000

$5,000

$6,000
NY: High State & Local Debt per Capita

NEW YORK & OTHER STATES

Debt per Capita

- $0
- $2,000
- $4,000
- $6,000
- $8,000
- $10,000
- $12,000
- $14,000

- Yellow: New York
- Green: Other States
NY: High Wages & Salaries per Capita
NEW YORK & OTHER STATES

Note: New York fringe benefits average 39% more than national average (not shown here)
Government Wages & Salaries
10 LARGEST STATES

Wages & Salaries per Capita

<table>
<thead>
<tr>
<th>State</th>
<th>CA</th>
<th>FL</th>
<th>GA</th>
<th>IL</th>
<th>MI</th>
<th>NC</th>
<th>NY</th>
<th>OH</th>
<th>PA</th>
<th>TX</th>
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<td>$3,000</td>
<td>$2,000</td>
<td>$2,500</td>
<td>$3,000</td>
<td>$2,500</td>
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<td>$4,000</td>
<td>$3,500</td>
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</table>

CA FL GA IL MI NC NY OH PA TX
NY: High Education Expenditures
NEW YORK & OTHER STATES

Spending per Pupil

- $0
- $2,000
- $4,000
- $6,000
- $8,000
- $10,000
- $12,000
- $14,000
- $16,000

- New York
- Other States
NY: High Education Expenditures
NEW YORK & 10 LARGEST STATES

Spending per Pupil

- CA
- FL
- GA
- IL
- MI
- NY
- NC
- OH
- PA
- TX
NY: High Public Welfare Spending
NEW YORK & 10 LARGEST STATES

Spending per Capita

<table>
<thead>
<tr>
<th>State</th>
<th>CA</th>
<th>FL</th>
<th>GA</th>
<th>IL</th>
<th>MI</th>
<th>NC</th>
<th>NY</th>
<th>OH</th>
<th>PA</th>
<th>TX</th>
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</thead>
<tbody>
<tr>
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<td>$1,200</td>
<td>$1,100</td>
<td>$1,000</td>
<td>$1,100</td>
<td>$1,200</td>
<td>$1,100</td>
<td>$2,500</td>
<td>$1,600</td>
<td>$1,700</td>
<td>$1,300</td>
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Reconciling New York’s Spending
COMPARSED TO AVERAGE OF OTHER STATES

Note: Personnel Expense excludes Education & Welfare
Local Government Efficiency in New York
Local Government Efficiency Analysis
DATA FROM STATE COMPTROLLER

All Local Governments: Cities, Towns, Villages & Fire Districts

by City

by Town Areas: (Towns, Villages & Fire Districts)

SERVICES INCLUDED

General Government
Police
Fire
Other Public Safety
Health
Transportation
Culture & Recreation

(More than 90% of non-utility spending)

Per capita spending: 2005
All fully reporting governments
Analyzed by average jurisdiction size
Spending Lower in Smaller Jurisdictions

MUNICIPAL SPENDING PER CAPITA

Local Expenditures per Capita

Average Jurisdiction Population

- Over 100,000
- 50,000 - 100,000
- 25,000 - 50,000
- 10,000 - 25,000
- 5,000 - 10,000
- 2,500 - 5,000
- 1,000 - 2,500
- Under 1,000
Spending Lower in Smaller Jurisdictions

MUNICIPAL SPENDING IN METROPOLITAN AREAS

Local Expenditures per Capita

<table>
<thead>
<tr>
<th>Average Jurisdiction Population</th>
<th>Local Expenditures per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 100,000</td>
<td>$1,500</td>
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<tr>
<td>50,000 - 100,000</td>
<td>$1,250</td>
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<tr>
<td>25,000 - 50,000</td>
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<tr>
<td>10,000 - 25,000</td>
<td>$750</td>
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<tr>
<td>5,000 - 10,000</td>
<td>$500</td>
</tr>
<tr>
<td>2,500 - 5,000</td>
<td>$250</td>
</tr>
<tr>
<td>1,000 - 2,500</td>
<td>$0</td>
</tr>
<tr>
<td>Under 1,000</td>
<td>$0</td>
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</table>
Town/Village/Fire Spending Lower
IN ALL METROPOLITAN AREAS

Local Expenditures per Capita

<table>
<thead>
<tr>
<th>Town/Village</th>
<th>Local Expenditures per Capita</th>
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<tr>
<td>Albany</td>
<td>$1,200</td>
</tr>
<tr>
<td>Binghamton</td>
<td>$1,000</td>
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<tr>
<td>Buffalo</td>
<td>$1,200</td>
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<tr>
<td>Elmira</td>
<td>$1,000</td>
</tr>
<tr>
<td>Glens Falls</td>
<td>$1,200</td>
</tr>
<tr>
<td>Ithaca</td>
<td>$1,400</td>
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<tr>
<td>Kingston</td>
<td>$1,200</td>
</tr>
<tr>
<td>New York</td>
<td>$1,200</td>
</tr>
<tr>
<td>Poughkeepsie</td>
<td>$1,200</td>
</tr>
<tr>
<td>Rochester</td>
<td>$1,200</td>
</tr>
<tr>
<td>Syracuse</td>
<td>$1,200</td>
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<tr>
<td>Utica</td>
<td>$1,200</td>
</tr>
</tbody>
</table>
Debt Lower in Smaller Jurisdictions

MUNICIPAL DEBT PER CAPITA

Debt per Capita

Average Jurisdiction Population

Over 100,000
50,000 - 100,000
25,000 - 50,000
10,000 - 25,000
5,000 - 10,000
2,500 - 5,000
1,000 - 2,500
Under 1,000
Spending Lower in Smaller Jurisdictions
FIRE SPENDING PER CAPITA

Average Jurisdiction Population

Local Expenditures per Capita

- Over 100,000
- 50,000 - 100,000
- 25,000 - 50,000
- 10,000 - 25,000
- 5,000 - 10,000
- 2,500 - 5,000
- 1,000 - 2,500
- Under 1,000

Local Expenditures per Capita

- $300
- $250
- $200
- $150
- $100
- $50
- $0
## Smaller Units of Govt. More Efficient

### SUMMARY OF FINDINGS

<table>
<thead>
<tr>
<th>Factor</th>
<th>Over 100,000</th>
<th>50,000 - 100,000</th>
<th>25,000 - 50,000</th>
<th>10,000 - 25,000</th>
<th>5,000 - 10,000</th>
<th>2,500 - 5,000</th>
<th>1,000 - 2,500</th>
<th>Under 1,000</th>
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</thead>
<tbody>
<tr>
<td>Expenditures per Capita</td>
<td>$1,323</td>
<td>$1,213</td>
<td>$944</td>
<td>$806</td>
<td>$709</td>
<td>$602</td>
<td>$545</td>
<td>$773</td>
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<tr>
<td>Expenditures per Capita: Metro Areas</td>
<td>$1,323</td>
<td>$1,213</td>
<td>$1,044</td>
<td>$794</td>
<td>$677</td>
<td>$562</td>
<td>$514</td>
<td>$697</td>
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<td>Debt per Capita</td>
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<td>$1,054</td>
<td>$1,060</td>
<td>$815</td>
<td>$736</td>
<td>$652</td>
<td>$483</td>
<td>$416</td>
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<tr>
<td>Fire Expenditures per Capita</td>
<td>$295</td>
<td>$263</td>
<td>$167</td>
<td>$120</td>
<td>$52</td>
<td>$35</td>
<td>$31</td>
<td>$37</td>
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</tbody>
</table>
Concern about Property Taxes

New York Suburbs
NY: High Property Taxes
NEW YORK & OTHER STATES

Per Capita

- $0
- $250
- $500
- $1,000
- $1,500
- $2,000
- $2,500

Yellow: New York
Green: Other States
NY: High Property Taxes
NEW YORK & 10 LARGEST STATES

Per Capita

[Bar chart showing per capita property taxes for CA, FL, GA, IL, MI, NC, NY, OH, PA, TX with NY being the highest.]
New York: Relies Most on Local Govt.

LOCAL SHARE OF STATE & LOCAL TAXATION

Local Share of State & Local Taxation

- New York
- Other States
NY: High Local Public Welfare Spending
PER CAPITA BY STATE

Local Expenditures per Capita

- New York
- Other States
Government Employee Compensation
NEW YORK & OTHER STATES: CHANGE 1965-2005

PERSONNEL EXPENSE 71.7%

Compensation per Employee: Inflation Adjusted

New York
Other States

1965
2005
Long Island & Northern Virginia Study
THE DIFFERENCE IS PERSONNEL

Local Expenditures per Capita

Long Island Northern Virginia

Note: Assumes national fringe benefit rate (understates New York personnel costs)

Center for Governmental Research study
“Leveling up” of employee wages and benefits is likely to raise costs and taxes.

“Leveling up” of service levels is likely to raise spending and taxes.

The likely outcome: Less competitive urban areas.
“Smart Growth,” Competitiveness and the Cost of Living
Democratization of Prosperity
ASSOCIATED WITH HOME OWNERSHIP

--

70% 40%

1940 2005

THE AMERICAN DREAM
Nassau County Roots

--

Levittown
Levittown, NY
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Potential to Increase Housing Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regional Urban Growth Boundaries</td>
<td>YES</td>
</tr>
<tr>
<td>2 Local Urban Growth Boundaries</td>
<td>YES</td>
</tr>
<tr>
<td>3 Regional Urban Service Districts</td>
<td>YES</td>
</tr>
<tr>
<td>4 Local Urban Service Districts</td>
<td>YES</td>
</tr>
<tr>
<td>5 Large-Lot Zoning in Rural Areas</td>
<td>YES</td>
</tr>
<tr>
<td>6 High Development Fees &amp; Exactions</td>
<td>YES</td>
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<tr>
<td>7 Restrictions on Physically Developable Land</td>
<td>YES</td>
</tr>
<tr>
<td>8 State Aid Contingent on Local Growth Zones</td>
<td></td>
</tr>
<tr>
<td>9 Transferable Development Rights</td>
<td></td>
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<tr>
<td>10 Adequacy of Facilities Requirements</td>
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</tbody>
</table>

From Table 15.4, “Costs of Sprawl---2000”

Potential to Increase Housing Prices from “Costs of Sprawl---2000”
Aug. 8, 2005, 6:53PM

About that hissing sound in the Zoned Zones ...

In Flatland, which occupies the middle of the country, it's easy to build houses. When the demand for houses rises, Flatland metropolitan areas, which don't really have traditional downtowns, just sprawl some more. As a result, housing prices are basically determined by the cost of construction. In Flatland, a housing bubble can't even get started.

But in the Zoned Zone, which lies along the coasts, a combination of high population density and land-use restrictions — hence "zoned" — makes it hard to build new houses. So when people become willing to spend more on houses, say because of a fall in mortgage rates, some houses get built, but the prices of existing houses also go up. And if people think that prices will continue to rise, they become willing to spend even more, driving prices still higher, and so on. In other words, the Zoned Zone is prone to housing bubbles.
Unprecedented Affordability Loss

MEDIAN MULTIPLE:
Median House Price Divided by Median Household Income

← PRESCRIPTIVE →
(SMART GROWTH)

MIXED

← RESPONSIVE →
Home Ownership by Ethnicity: 2005
LARGE GAP: 45 YEARS AFTER MLK “I HAVE A DREAM”

- White-Non-Hispanic
- African-American
- Hispanic
House Cost & Financing Trend
MAJOR NEW YORK MARKETS: 2000-2006

Change in Median House Price & Mortgage Cost

- NY Metro
- Buffalo
- Rochester
- Albany
- Syracuse
Net Domestic Migration: 2000-2006
RUST BELT & POST-WAR COMPETITIVE AREAS
Conclusions

Empire State Plaza
Albany
Conclusions

• Local government consolidation is likely to lead to a less competitive New York, by raising taxes.

• Smart growth is likely to lead to a less competitive New York, by raising housing costs and the cost of living.