



NYSAC
NEW YORK STATE
ASSOCIATION OF COUNTIES

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Revenues and Expenditures *Aggregate County Trends*



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NYSAC®

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ASSOCIATION OF COUNTIES

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Contents

Executive Summary	4
About This Report.....	7
County Debt.....	8
Constitutional and Statutory Government Debt Provisions & Debt Affordability	9
Recent Debt Trends for Counties	9
Total Debt Per Capita	10
Debt Service Trends.....	11
Major Revenue Sources for County Government	13
Real Property Taxes (21.1 percent of aggregate county revenue)	15
Sales and Use Taxes (23.2 percent of aggregate county revenue)	16
Charges for Services (8.9 percent of aggregate county revenue).....	18
Charges to Other Governments (2.0 percent of aggregate county revenue)	18
Use and Sale of Property (1.6 percent of aggregate county revenue).....	19
Other Revenues (6.6 percent of aggregate county revenue).....	20
State Reimbursement and Aid (11 percent of aggregate county revenue)	20
Federal Reimbursement and Aid (9.1 percent of aggregate county revenue)	22
Proceeds from Debt (7.3 percent of aggregate county revenue)	22
Major Expenditures for County Government.....	24
Per Capita Expenditures	27
General Government (11.2 percent of aggregate county expenditures)	27
Education (4.4 percent of aggregate county expenditures)	28
Public Safety (12.8 percent of aggregate county expenditures).....	29
Health (6.1 percent of aggregate county expenditures).....	30
Transportation (6.9 percent of aggregate county expenditures)	31
Social Services (21.8 percent of aggregate county expenditures)	32
Economic Development (1.2 percent of aggregate county expenditures)	33
Culture, Recreation and Community Development (2.2 percent of aggregate county expenditures).....	33
Sanitation and Public Utilities (4.2 percent of aggregate county expenditures)	33
Employee Benefits (14.3 percent of aggregate county expenditures)	34
Debt Service (5.7 percent of aggregate county expenditures)	35
Transfers (9.1 percent of aggregate county expenditures).....	35

Executive Summary

Counties provide hundreds of services to the public, including many that are directed by the state or federal government in addition to those demanded locally by taxpayers. The vast majority of county spending is for State and federal programs, and these are generally targeted toward ensuring there is a social safety net for those most in need and promoting the public health. Other “quality of life” initiatives that ensure local roads and communities are efficient and safe, promote accessible culture and recreation, enhance public safety, and promote local economic development are largely provided at the discretion of counties with available local, state and federal resources.

The following report provides a summary of where counties get their revenue, broad categories of spending, and utilization of debt. The report provides general points of comparison for counties, including the average county’s revenues and expenditures, and the variation across all counties. The report also provides highlights of expenditure and revenue trends between 2000 and 2017. The data is generated from financial and budget data that counties are required to report to the State Comptroller. This data is publicly available and posted online. The most recently available data, as of the release of this report, is for county fiscal year 2017.

Counties use debt to fund an array of public infrastructure assets including roads and bridges, jails and 9-1-1 centers, public buildings and spaces, and water and sewer systems. The lack of surplus funds has forced counties to increase their use of debt, from about \$7.5 billion in 2000 to about \$13.3 billion by the end of 2017. Despite this growth, counties are still well below their constitutional debt capacity.

Counties rely on a variety of revenue sources to fund their annual operations. Since 2000, the four largest sources of revenue for counties have consistently been

- property tax,
- sale & use tax,
- state reimbursement & direct aid, and
- federal reimbursement & direct aid.

Combined, these four sources of funding made up about 64 percent of aggregate county revenues in 2017, rising from about 58 percent in 2000. However, in the past 17 years, there has been a significant shift in the share of locally raised revenues (property and sales taxes) that support county budgets vs the amount of state and federal reimbursement and aid provided.

General Source of Primary County Revenues, 2000 through 2017		
<i>Year</i>	<i>Locally Raised Revenues</i>	<i>State and Federal Resources</i>
2000	36.8 percent	21.0 percent
2005	41.9 percent	20.6 percent
2010	42.0 percent	22.4 percent
2017	44.3 percent	20.1 percent
<i>Proportionate Change</i>	+20 percent	-4.3 percent

There were two major events that contributed to these shifts. First, the state greatly expanded eligibility and benefits in the Medicaid program in 2000, in addition to a significant enhancement

of pension benefits for public workers. These two expansions increased county costs significantly without additional state and federal resources being provided. The second major event was the Great Recession, where state budget problems required the state to cut reimbursements and aid to local governments (in 2000 state resources accounted for 12.1 percent of aggregate county budget revenues, at the depth of the recession in 2010 state support had fallen to 10.9 percent). Conversely, revenues from the federal government rose during the Recession (in 2000 federal resources accounted for 8.9 percent of aggregate county budget resources, rising to 11.5 percent at the depth of the recession in 2010). The state's proportionate share of funding for county budgets, by 2017, dropped by 9.1 percent compared to 2000. On the federal side, their proportionate support increased slightly over the same time-period by 2.2 percent. The combined net proportionate impact is a 4.3 percent drop in state and federal support for county budgets between 2000 and 2017. This required a significant increase in county resources of 20 percent to maintain local quality of life services and to satisfy state and federally mandated spending.

The major cost categories for most counties include social services, general government, employee salaries and benefits, and public safety, which account for 60 percent of county expenses. County spending is highly correlated to the status of state-imposed mandates and economic conditions that both increased demands for social services and curtailed revenue.

There is also a brief discussion on aggregate county per capita expenditures and how they have changed over time. The data indicates that pre-Great Recession, spending (and revenues) per capita grew at a consistent rate, often to meet state and federal mandate requirements. However, since the first year of the recession, per capita spending has remained relatively flat with 37 percent of counties spending less per capita in 2017 than they did in 2008.

State Mandated Spending

Counties are required under state law to administer and fund a large array of state and federal programs. For most of these programs, counties are required to follow strict state and federal rules about what services must be provided, including the amount and duration of benefits. It is also important to note that counties in most other states do not have to administer so many, and expensive, state programs using locally raised tax revenues.

Counties have highlighted how the costs of just 9 state mandates (of more than 40 NYSAC has identified) can add up when measured against the primary revenue source available to most counties—the property tax. The following chart provides an estimate of the impact state mandates can have on counties in comparison to county property tax levies.

The Impact of Major State Mandates on Counties

	2011	2012	2013	2014	2015	2016	2017
Medicaid	\$2,135,000,000	\$2,203,014,912	\$2,238,900,901	\$2,255,650,783	\$2,255,650,783	\$2,255,650,783	\$2,255,650,783
Safety Net/TANF ⁵	\$306,000,000	\$317,000,000	\$315,251,088	\$332,195,371	\$324,688,946	\$300,379,924	\$285,274,372
Child Welfare	\$270,000,000	\$275,000,000	\$280,500,000	\$286,110,000	\$291,832,200	\$297,668,844	\$303,622,221
Special Education Pre-K ²	\$207,240,882	\$223,155,000	\$241,007,400	\$245,827,548	\$246,573,529	\$258,646,500	\$258,646,500
Early Intervention ¹	\$64,600,000	\$69,600,000	\$74,959,200	\$75,708,792	\$75,708,792	\$76,465,880	\$77,230,539
Indigent Defense ³	\$140,054,572	\$141,857,339	\$150,812,631	\$156,524,780	\$163,711,970	\$165,594,544	\$170,893,569
Probation	\$123,200,000	\$130,800,000	\$138,909,600	\$147,521,995	\$156,668,359	\$166,381,797	\$173,369,833
Youth Detention	\$31,000,000	\$33,100,000	\$35,383,900	\$37,825,389	\$38,581,897	\$39,353,535	\$40,140,606
Pensions	\$687,481,228	\$942,382,326	\$1,056,401,297	\$1,186,635,833	\$1,162,903,116	\$915,764,986	\$924,712,406
Cost of 9 State Mandates	\$3,964,576,682	\$4,335,909,577	\$4,532,126,017	\$4,724,000,491	\$4,716,319,592	\$4,475,906,793	\$4,489,540,828
NYC ⁴	\$4,528,799,053	\$4,637,807,445	\$4,702,246,905	\$4,742,856,905	\$4,832,672,795	\$4,876,589,165	\$4,970,368,437
Cost of These Mandates in Comparison to County Tax Levy	88%	93%	96%	100%	98%	92%	90%

*NYS DOH - 2% year over year growth as enacted in 2012-13 budget, 2013-14 growth equals 1%, 2014-15 and thereafter 0% growth under state growth cap

¹ The Early Intervention program switched to a prefunded statewide fiscal agent model in late 2013. NYSAC uses an annual growth rate of 1% thereafter.

² Pre-k Special Education growth rates slowed in 2014-15 and have leveled off due to reforms - assumes 58-42 split between NYC-ROS

³ NYS Comptroller CAFR & OILS data (NYSAC estimate for 2017 for OILS data)

⁴ County Property Tax Levy (net of county special districts)

⁵OTDA Monthly Statistics Table 24 - The County/State share of TANF was federalized in 2013. At that time the state match for Safety Net dropped from 50% state to 29% state.

State Mandate Relief

In recent years the Governor and Legislature have tried to reduce fiscal burdens on counties by:

- Limiting the expansion of mandated programs (or providing increased state financial support to cover new costs when they do expand existing mandates, or create new ones);
- Realigning fiscal responsibilities
 - Capping the growth in county Medicaid costs was a major accomplishment in lowering future county costs, where the state took more fiscal responsibility over a program where they control benefit design, payments to providers, client eligibility and duration of benefits;
 - Capping the amount counties pay for placing children in state youth detention facilities at no more than \$55 million per year;
- Reforming pensions by reversing earlier pension enhancements and modifying future benefits to lower state and county pension contribution costs;
- Providing new revenues to most counties by sharing commercial and Native American casino gaming revenues with counties; and
- Updating state sales tax laws to accommodate changes in the retail marketplace, therefore enhancing sales tax revenues for most counties.

Combined, these state initiatives will provide increasing fiscal benefits to counties and are designed to reduce pressure on local property taxes. The chart above highlights how pension reforms are starting to provide fiscal relief for counties. County pension costs peaked in 2014 at nearly \$1.2 billion but dropped to \$924 million by 2017 (a 22 percent decline), as the reforms and stronger investment returns in the common retirement fund combined to allow for lower county contributions to support employee pension costs.

About This Report

The source data for this report is from the Office of the State Comptroller and is available online at: http://www.osc.state.ny.us/localgov/datanstat/findata/index_choice.htm. Analysis of the data was done by NYSAC staff and the categorization of revenues and expenditures into broad groups are the same as those used by the Comptroller. It should be noted that the online data is self-reported by counties and that not all counties report their revenues and expenditures in the same way, so direct county-by-county comparison can create some anomalies. Overall, the data does provide for a good picture of how counties fund their operations and where the spending goes.

Most of the national comparison data comes from the Census Bureau.

Any questions can be directed to NYSAC at 518-465-1473.

County Debt

Counties maintain a wide array of public infrastructure assets including, but not limited to:

- Roads, bridges and culverts;
- Medical, higher education, youth, and elder care facilities;
- Parks, recreation, and cultural facilities;
- Water and sewer systems;
- Landfills and waste management;
- 911 emergency response networks;
- Courts and correctional facilities; and
- A significant number of other public buildings.

These critical infrastructure projects are necessary in modern society. They help maintain the economy, facilitating commerce and the movement of goods, improving public health and safety, and enhancing the quality of life in communities across the state.

Maintaining and enhancing infrastructure is costly, and counties typically use long term debt to ensure public facilities operate as efficiently as possible given the resources available. The aftermath of the Great Recession and its impact on county government revenues, combined with a state-imposed property tax cap, continues to place a strain on county governments' ability to invest in infrastructure upgrades and general maintenance at a pace deemed appropriate.

Even with these fiscal limitations, New York State and its local governments were ranked number one in highest combined state and local government debt per capita, according to U.S. Census Bureau data from 2016. New York was nearly 30 percent higher than the next closest state (in 2012 New York was 20 percent higher than the next closest state). The chart below highlights the top 10 debt per capita states.

State & Local Government Debt per Capita		
	Debt per Capita	Rank
United States	\$9,291	
New York	\$18,056	1
Massachusetts	\$13,951	2
Connecticut	\$13,516	3
Alaska	\$12,603	4
Illinois	\$11,847	5
Washington	\$11,675	6
New Jersey	\$11,195	7
Rhode Island	\$11,104	8
California	\$11,055	9
Hawaii	\$10,768	10

Constitutional and Statutory Government Debt Provisions & Debt Affordability

The ability of local governments to incur debt is largely determined by the State Constitution and Local Finance Law. Under the State Constitution counties must adhere to a total outstanding debt limitation of no more than seven percent of the five-year average of full valuation of all taxable property in the county. These constitutional debt limits vary for all local governments and even among counties (see chart below).

Constitutional and Statutory Debt Limits for Local Governments	
Municipal Type	% of Ave. Full Value of Taxable Property
Counties (Excluding Nassau)	7%
Nassau County	10%
New York City	10%
Cities with population \geq 125,000	9%
Cities with population $<$ 125,000	7%
Towns	7%
Villages	7%
School Districts (Small City)	5%
School Districts (Non-City)	10%

Source: NYS Comptroller

Basing the debt limit on property value provides some measure of the affordability of the debt incurred because it provides a taxing base upon which the county can draw in future years.

The Constitution does, however, exempt certain debt incurred by local governments from the percentage limitation described above. There is a debt cap exemption for water and certain sewer infrastructure projects/improvements. The exclusion is not insignificant in that on some rare occasions the debt incurred for these “excluded” water and sewer projects alone, for a smaller local government, would exceed the constitutional debt limit cap had it been counted.

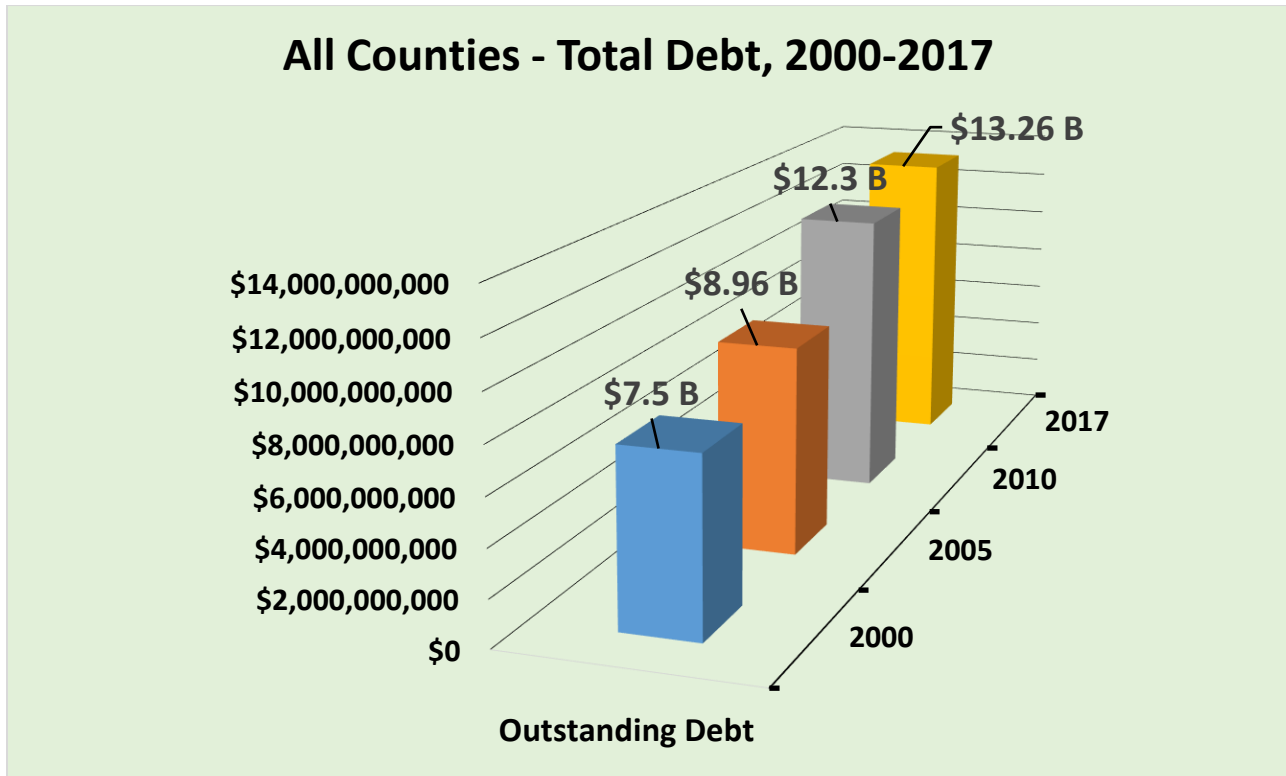
Historically, and importantly, counties fall far below their constitutional debt limit caps in any given year. In 2017, the most recently available year for county debt data, no county exceeded 36 percent of their constitutional debt limit. In total, 27 counties did not exceed 10 percent of their constitutional debt limit, with the typical county utilizing only 12.5 percent of their debt limit. This is in sharp contrast to the State, which has nearly exhausted its statutory debt capacity, according to the State Comptroller.

Recent Debt Trends for Counties

Total debt outstanding for counties has grown from about \$7.5 billion in 2000 to about \$13.3 billion by the end of 2017. However, the growth over this period has been uneven. As the table and chart below illustrates, the growth rate varies significantly when you break it into chronological multi-year increments. Total outstanding debt rose by:

- 20 percent between 2000 and 2005;
- 37 percent from 2005 through 2010, and
- Just below 8 percent from 2010 through 2017

Likely contributors to the slower rate of growth in debt utilization between 2010 and 2017 were reduced growth in overall county revenues due to the aftermath of the Great Recession, a reduction in state reimbursements for a variety of programs, the implementation of the statewide property tax cap, and the lengthening of replacement cycles for major infrastructure projects as a result of strong growth in the 2000 to 2010 period.



Total Debt Per Capita

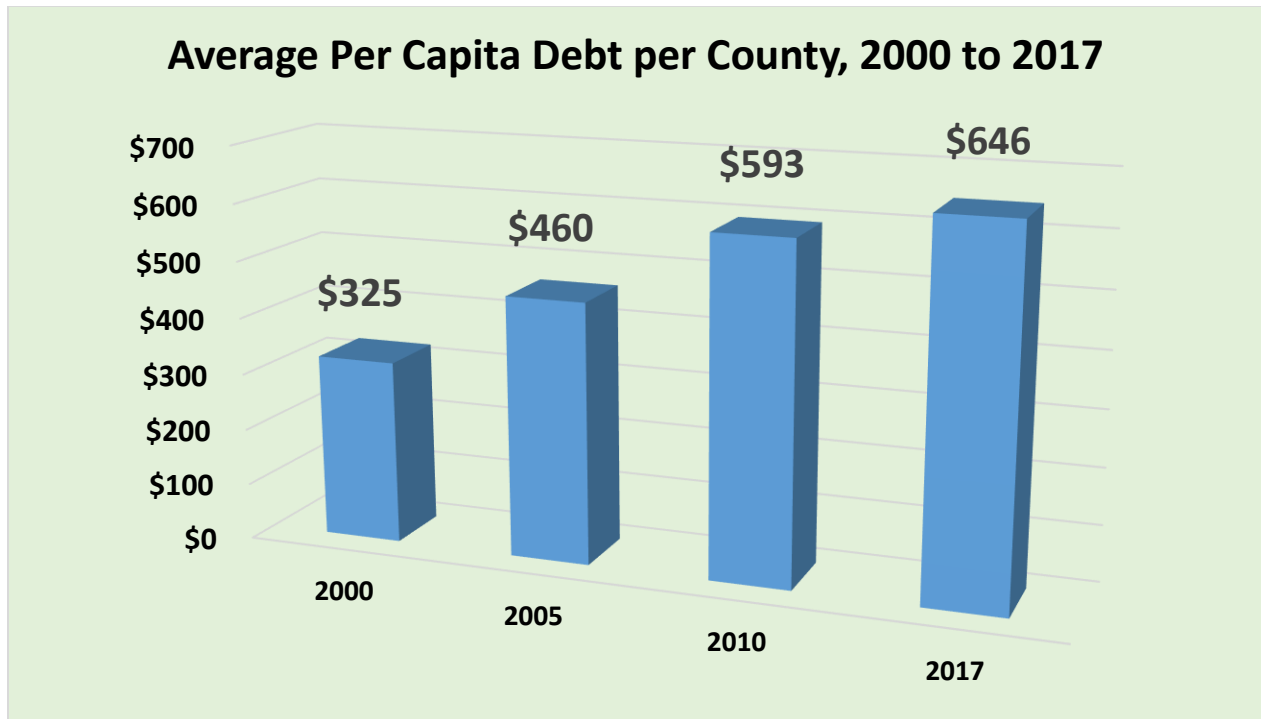
In addition to looking at total outstanding debt obligations, another common breakdown is debt per capita. For counties in New York, debt per capita shows a similar pattern as total debt outstanding, in that there has been a slower growth in debt levels in recent years compared to earlier time periods.

Another important factor to consider is that the level of debt incurred can be closely linked to population density and high population counties. For 2017, nearly 70 percent of all county debt is attributed to the five largest counties, with four of five of these also being the most densely populated counties in the state. Because of the high concentration of debt in a small number of counties, the total per capita debt for all counties combined is much higher than the average per capita debt across individual counties.

For all counties combined, the 2017 per capita debt was \$1,189, whereas the average per capita debt carried by an individual county was \$646. The debt by county ranged from \$0 in two counties to a high of \$2,969. Twenty-five counties had total debt of less than \$500 per person.

Average county per capita debt growth slowed significantly between 2010 and 2017, with:

- 41.6 percent growth from 2000 to 2005
- 28.9 percent growth from 2005 to 2010; and
- 8.9 percent growth from 2010 to 2017.



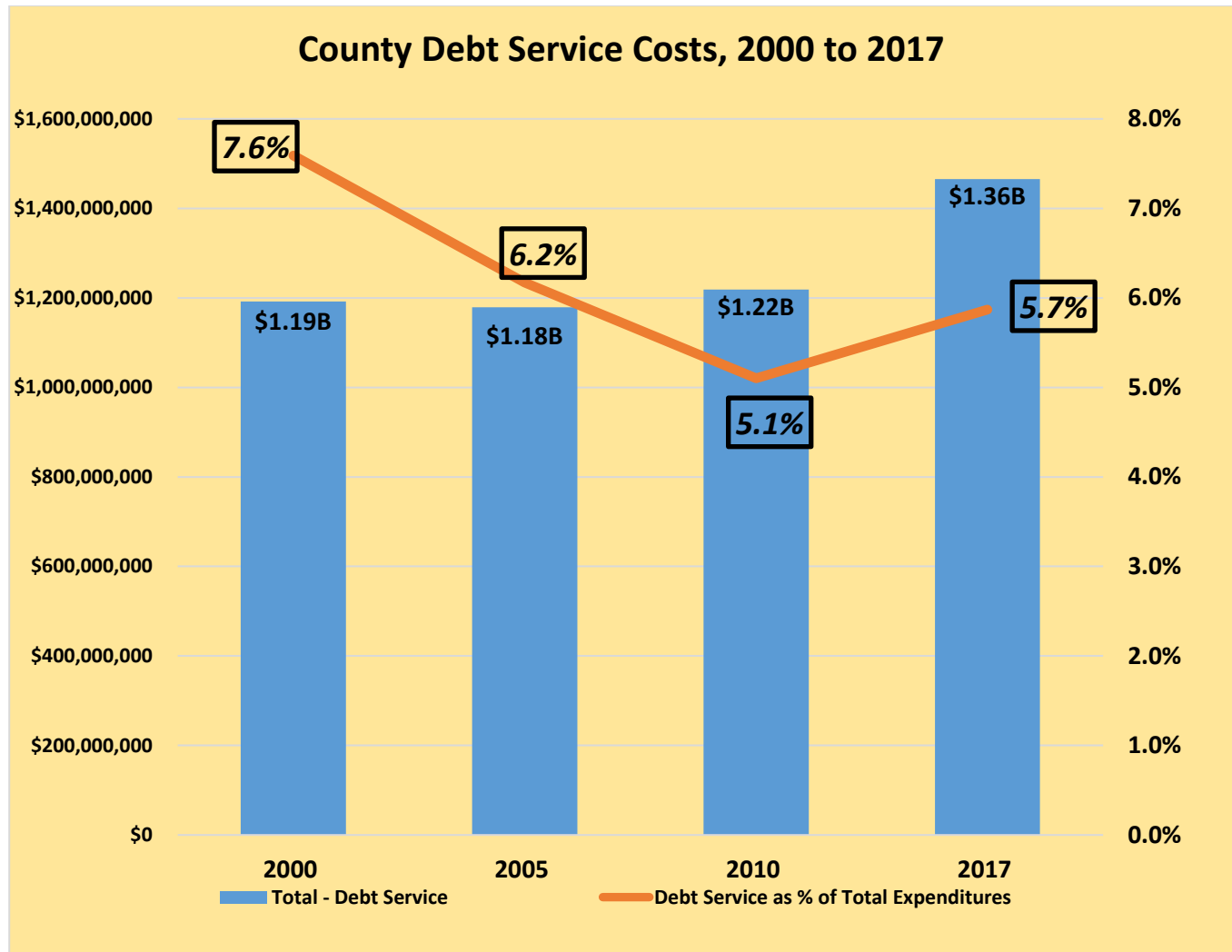
Debt Service Trends

Another common measure of debt is to look at what share debt service costs represent of total expenses (not including transfers). While this is not a perfect barometer, it can provide a general view of how a county manages its debt load over time.

A factor influencing county debt management is that interest rates are much lower today than they have been in many decades, so an increase in total outstanding debt as well as total debt service costs could be related to favorable debt markets at this time. A benefit of lower interest rates is that even with higher total debt, the cost of servicing that debt can be a smaller share of total expenditures over time.

For 2017, NYSAC estimates total county debt service costs were about 5.7 percent of total county expenses (not including sales tax sharing). The average per county was 3.2 percent, ranging from zero percent to 10.5 percent. For 19 counties, their debt service was less than two percent of their total expenditures.

The chart below highlights that even though debt service costs in total dollars has increased over the last 10 years, it consumes a slightly smaller share of total county expenditures.



Source Data: 2017 OSC Local Government Database
http://www.osc.state.ny.us/localgov/datanstat/findata/index_choice.htm

Major Revenue Sources for County Government

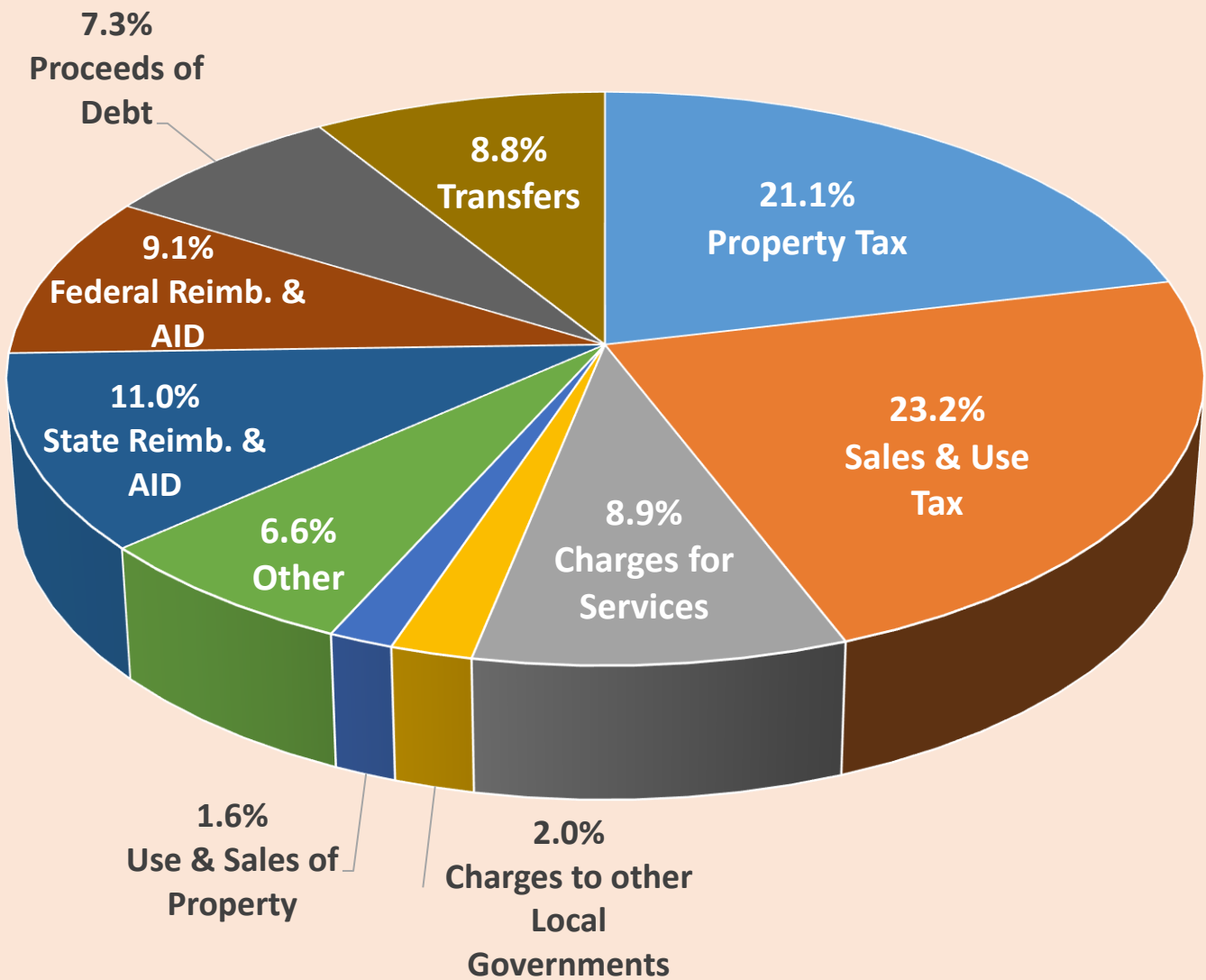
Counties rely on a large variety of revenue sources to fund their operations on an annual basis. While there are many individual revenue items for counties they are generally consolidated under the following categories for reporting purposes:

- Property/Real Estate
- Sales & Use
- Charges for Services
- Charges to Other Governments
- Use and Sale of Property
- Other Revenues
- Transfers
- State Reimbursement and Aid
- Federal Reimbursement and Aid
- Debt proceeds

While these core categories are used by the State to identify broad revenue sources it is sometimes difficult to make easy comparisons across counties because not all counties report their revenues the same way. In addition, some have dozens of separate revenue sources in one category while others only have a few, and others simply do not have the ability to pursue certain revenue options due to demographic or economic conditions. However, the summaries in the following pages can be a useful starting point to identify trends and shed light on how a typical county raises revenue and/or relies on certain revenue categories to support programs they administer on behalf of the state, as well as fund locally-based programs.

The chart on the next page provides a high-level breakdown of major county revenue sources. The chart depicts the percentage share by major funding category for all counties combined. The percentage shares of revenue for any one county will vary, as larger counties can skew the overall averages. Descriptions that follow in this report will provide average per county revenues and expenditures by category to give a sense of the range of variations across counties.

County Revenue Sources - 2017



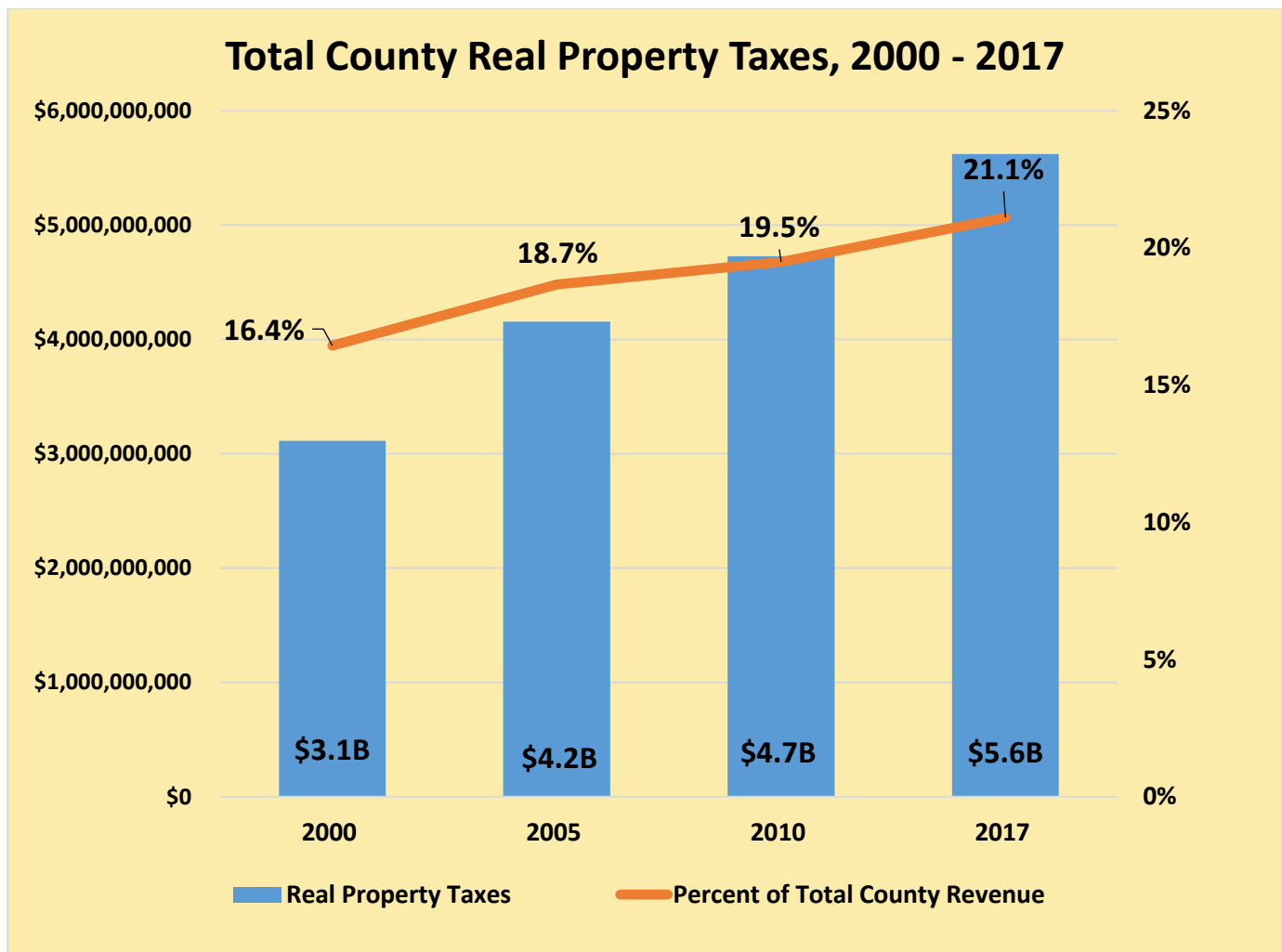
- | | |
|----------------------------|----------------------------------|
| ■ Property Tax & Related | ■ Sales and Use Tax |
| ■ Charges for Services | ■ Charges to Other Local Gov't's |
| ■ Use and Sale of Property | ■ Other - Non-Property, etc. |
| ■ State Reimb. & Aid | ■ Federal Reimb. & Aid |
| ■ Proceeds of Debt | ■ Transfers |

Real Property Taxes (21.1 percent of aggregate county revenue)

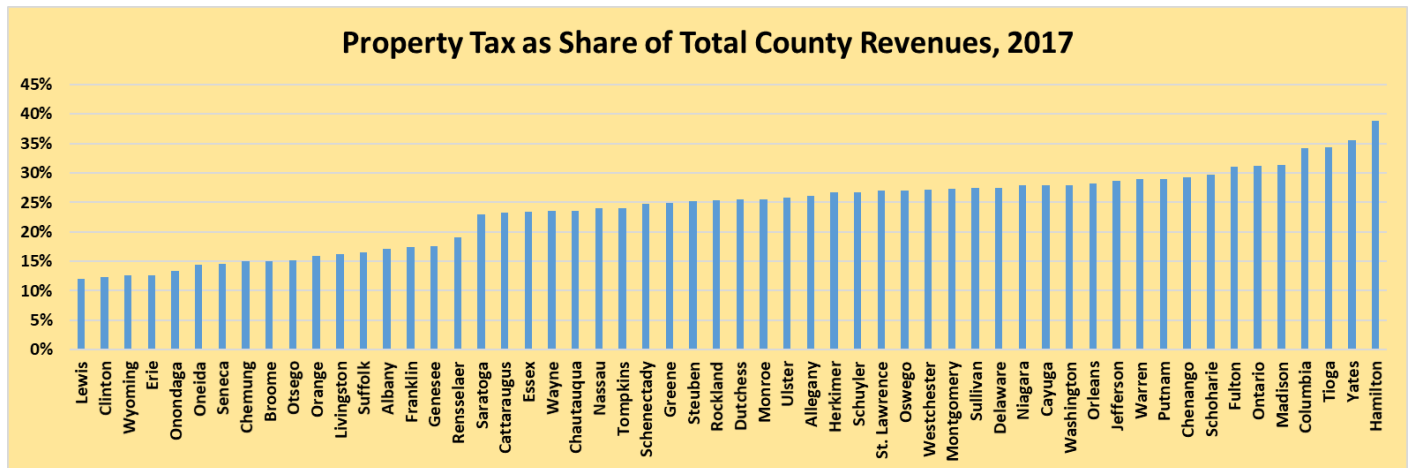
This category generally represents the total amount of revenue raised through real property taxes levied upon the value of property. This generally includes all property taxes that would be attributable to a county levy for the purposes of determining the property tax cap (which would include associated special districts and PILOTs).

In 2017, property taxes were the number one net revenue source for 33 counties. This has declined modestly since 1996, when 41 counties relied on property taxes as their number one revenue source. Net sales tax (funds retained after sales tax sharing) usually comes in as the second largest revenue source for most counties.

In 2017, the total revenue raised by counties through real property taxes was just over \$5.62 billion, representing 21.1 percent of all county revenues (including transfers and net of sales tax sharing). This is 80 percent more than the \$3.11 billion raised by counties through real property taxes in 2000. In 2000, real property taxes represented 16.4 percent of all county revenue. The chart below illustrates the growth trend since 2000 and how critical property taxes are in supporting county budgets.



In 2017, real property taxes represented 23.8 percent of total revenue for the average county. This ranged from as little as 12 percent of total county revenue to as much as 38.8 percent.



As with county debt as described above, large counties can skew the overall numbers because of their sheer size. In 2017, nearly 55 percent of all county property taxes were generated in the five largest counties (excluding NYC). These same counties also contain 64 percent of the fully assessed value of property in the state (outside of NYC). In a similar fashion, counties with small populations can become outliers due to their unique circumstances. For example, Lewis and Wyoming counties both operate and own a hospital so their largest revenue source comes from hospital service charges, which lowers their status on more traditional revenue streams.

Sales and Use Taxes (23.2 percent of aggregate county revenue)

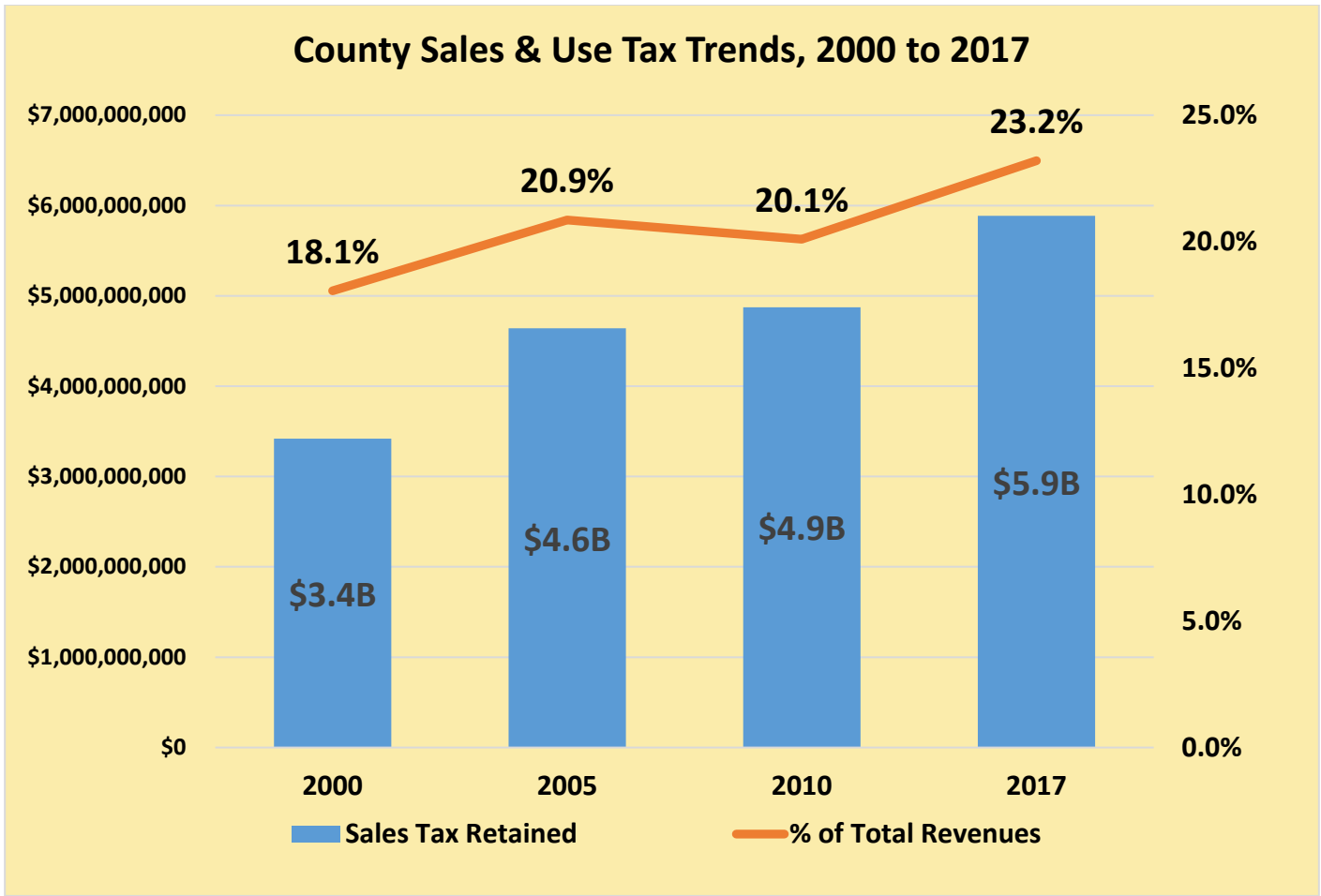
This category represents the total amount of revenue collected and retained by counties (after sales tax sharing) from taxes imposed upon retail sales of tangible personal property and/or the consumption of goods and/or services. Sales and use tax (sales tax) is generally applied to:

- Tangible personal property (unless specifically exempt);
- Gas, electricity, refrigeration and steam, and telephone service;
- Selected services;
- Food and beverages sold by restaurants, taverns, and caterers;
- Hotel occupancy; and
- Certain admission charges and dues.

Counties do have the option to offer sales tax exemptions on certain items under state law. For a more detailed description of taxable and nontaxable items visit:

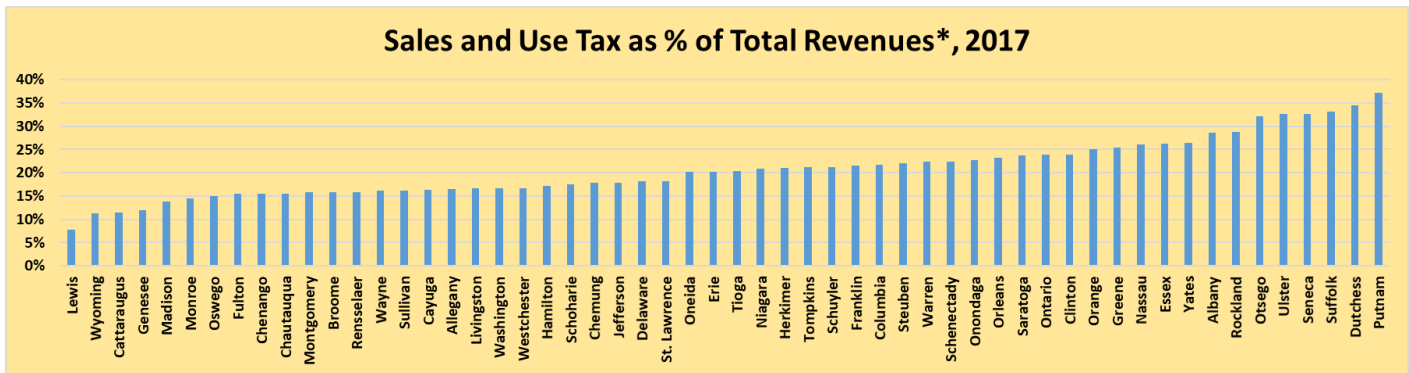
https://www.tax.ny.gov/pubs_and_bulls/tg_bulletins/st/quick_reference_guide_for_taxable_and_exempt_property_and_services.htm

In 2017, counties retained about \$5.9 billion of local sales tax for county budget purposes and shared another \$1.8 billion with other local governments including cities, towns, villages and school districts. Since 2000, sales tax has become an increasing share of aggregate county revenues, rising from just over 18 percent of county revenues to just over 23 percent. Total county sales tax revenues have increased from \$3.4 billion in 2000 to nearly \$5.9 billion in 2017.



*Retained by counties after sales tax sharing.

In 2017, sales tax was the number one net revenue source for 20 counties. This is up from 16 counties that had sales tax as their number one revenue source in 1996. This covers a wide range, with sales tax being as little as 7.8 percent, up to a high of 46.8 percent of a county's total revenue. On average, sales and use tax makes up about 20.8 percent of a county's total revenues.



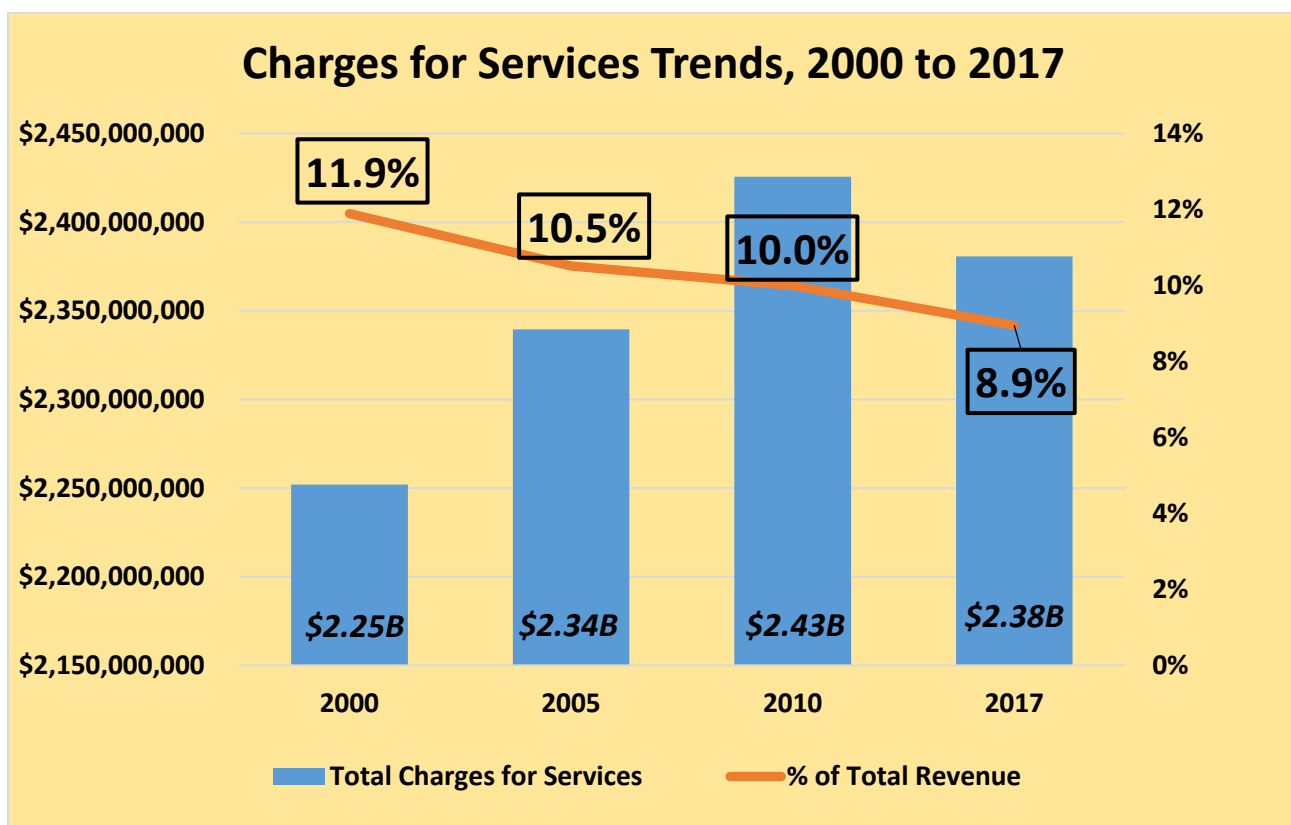
*Net of Sales Tax Sharing

Similar to other revenue sources, the largest counties can skew overall averages. In 2017 more than \$3.5 billion in county-retained sales tax was generated in five counties (Nassau, Suffolk,

Westchester, Erie and Onondaga) representing nearly 60 percent of total county sales tax revenue that year.

Charges for Services (8.9 percent of aggregate county revenue)

Counties also generate revenues by charging fees for providing a specific service to consumers or businesses. This could range from a small fee for a vaccination, rental fees at a county park, transportation/transit fees, business compliance fees, hospital and nursing home charges, sanitation, etc. The total revenue raised by counties from this source has hovered around \$2.3 billion annually since 2000. However, since the revenue raised has not generally increased, this source of funds has become a smaller share of total county revenue over time, dropping from nearly 12 percent in 2000 to about 9 percent in 2017.



There is wide variation on a county by county basis in charges for services as a share of total revenues ranging from 2.3 percent to 47.5 percent. There are two counties that rely on charges for services as a substantial portion of their total revenues because they both operate and own small rural hospitals – charges for services at these facilities are the largest revenue items for these counties. In 2017, the average county derived about 10.7 percent of their revenue from this source.

Charges to Other Governments (2.0 percent of aggregate county revenue)

Similar to how counties charge fees for services provided to individuals, similar fees for services provided can be charged to other local governments and vice versa. Counties and other local governments share services extensively and a wide variety of cost sharing approaches are used to cover the costs of providing these services. In 2017, counties raised over \$524 million from this

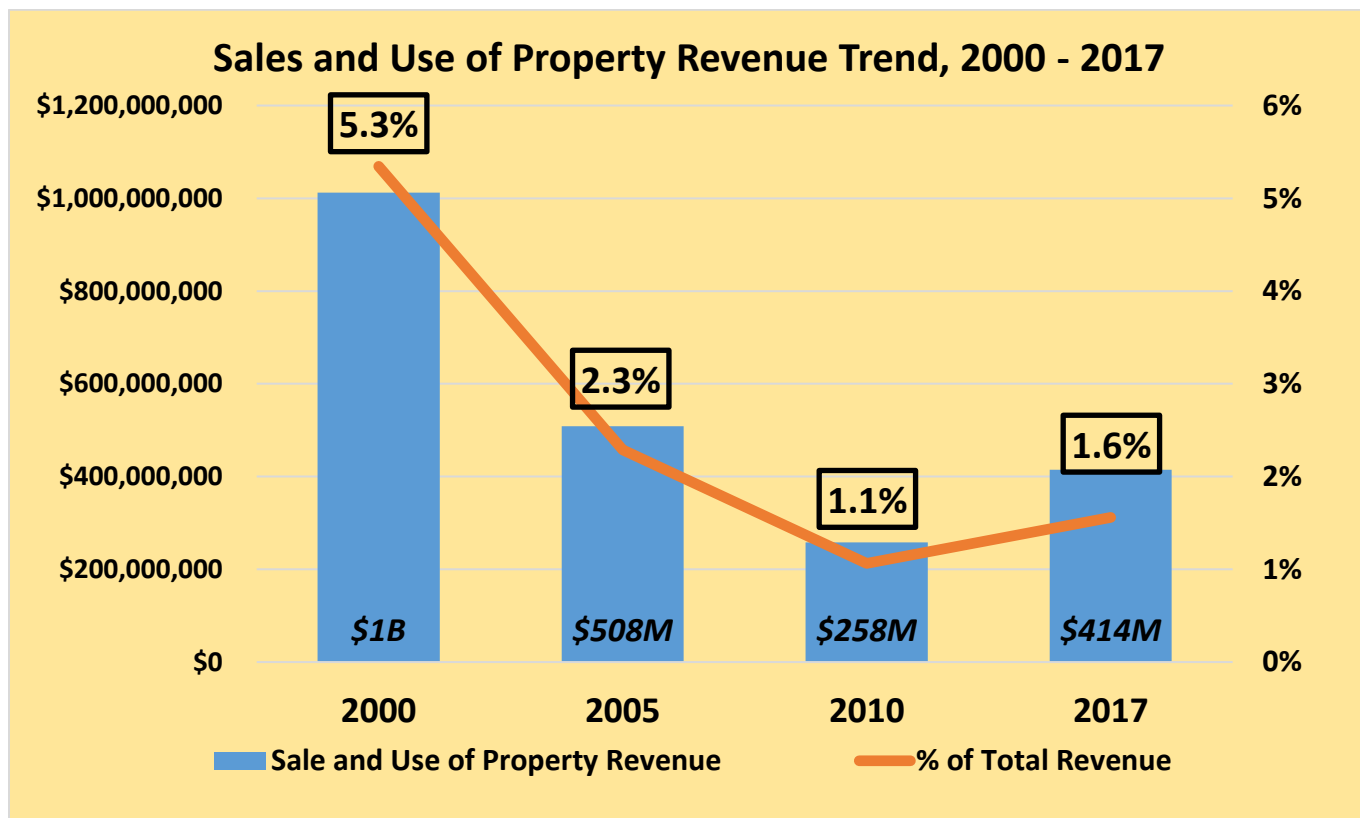
revenue source which equaled about 2.0 percent of total county revenues. Some counties charge virtually nothing to other local governments, up to a top range of 13.0 percent. While annual revenues raised from this source have increased from \$270 million in 2000 to \$524 million in 2017, as a share of total county revenue it has increased modestly from 1.4 percent to 2.0 percent.

Use and Sale of Property (1.6 percent of aggregate county revenue)

Revenue in this category is derived from the sale of property owned by the county but not associated with tax delinquencies. It could include the sale of property; scrap or excess materials, refuse for recycling, equipment and machinery; proceeds of seized or unclaimed property; rental proceeds; interest and earnings; and tobacco securitization proceeds.

In 2017, counties generated \$414 million in revenue from this category, about 1.6 percent of total county revenue. This ranged from .3 percent to 7.0 percent, with an average of 1.2 percent.

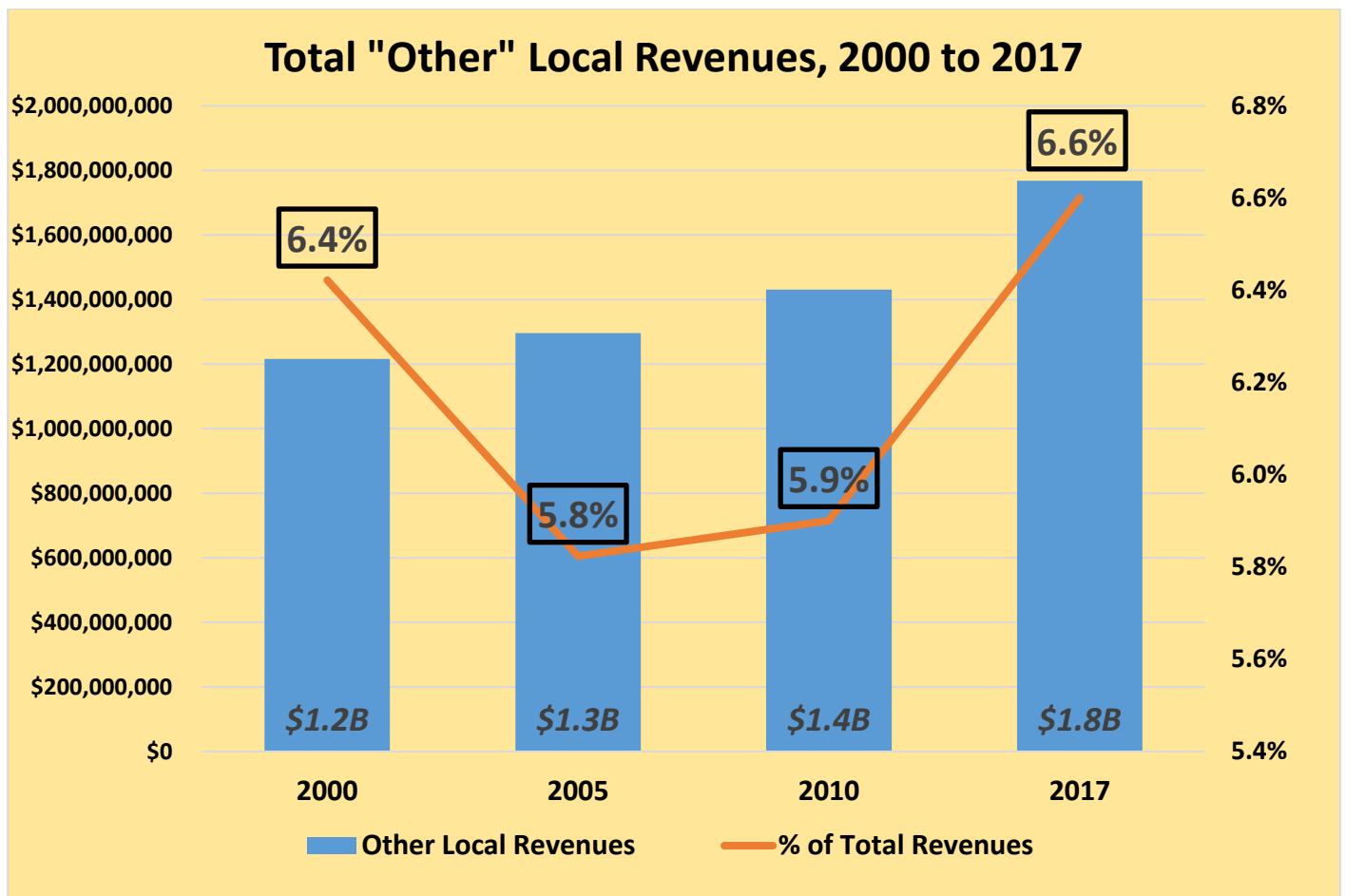
In 2000, counties raised more than \$1 billion from this source and it accounted for 5.3 percent of total county revenue in that year. Proceeds to counties from the Master Settlement Agreement with the tobacco industry allowed counties to securitize future payments from this revenue source. Between 2000 and 2005, a series of tobacco bond securitizations skewed the total revenue generated from this source significantly higher in these years. Since 2006, many counties have also privatized certain public assets such as nursing homes, landfills and other real property – this can have a big impact on revenues in the year the transaction is completed. Another item to note is that low interest rates in recent years has significantly reduced income generated by counties from interest earnings.



Other Revenues (6.6 percent of aggregate county revenue)

There are a variety of revenues that counties generate that do not fall easily into the categories already identified. These miscellaneous sources of revenue can include fines and forfeitures, compensation for losses (insurance payouts), grants from other local governments, gifts and bequests, contributions from employees, prior period adjustments, VLT and gaming compact revenues, among other items.

In 2017, counties raised nearly \$1.77 billion in miscellaneous revenues of this type, or 6.6 percent of total county revenues. This ranged from .8 percent to 14.9 percent of county revenue, with the average coming in around 5.4 percent. Since 2000, this catch all category of revenue has ebbed and flowed as a share of total revenues rising from 6.4 percent to 6.6 percent.



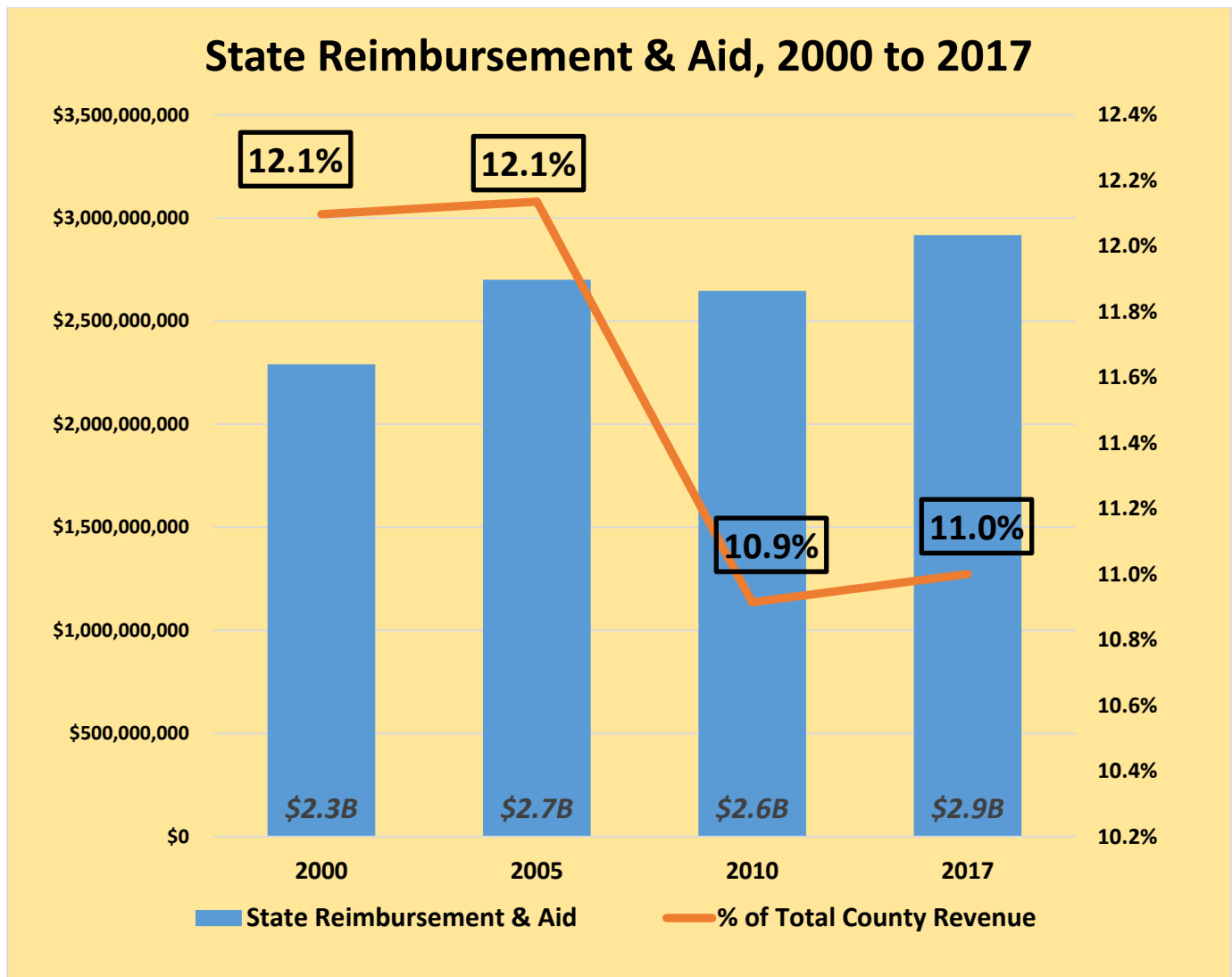
State Reimbursement and Aid (11 percent of aggregate county revenue)

Counties are mandated by the state to administer and fund a large array of state programs. In most cases counties provide and pay for the full costs of the services or contract to have services provided. Counties then apply for reimbursement from the state for a portion of the costs of each eligible service. Reimbursable costs include public health, public safety, education, social services, general government, and transportation. The State also does provide some unrestricted aid to counties through direct grants, gaming revenue sharing, etc.

Over time, state reimbursements to counties have declined as a share of total county revenues with much of the reductions occurring during the Great Recession. In total dollars, state reimbursement to counties has remained essentially flat from 2005 to 2017 even though counties are required to provide more services to more people and costs have risen with inflation. Had state reimbursement kept pace with inflation from 2005 through 2017, counties would have received about 20 percent more in state aid, or about \$552 million per year.

From 2001 through 2017, state reimbursement and aid to counties has fallen from 12.1 percent of total county revenue to 11 percent. A leading reason for the decline was a sharp reduction in state reimbursement for social services (partially offset with new federal funding), which dropped from \$1.2 billion in 2005 to \$860 million in 2017.

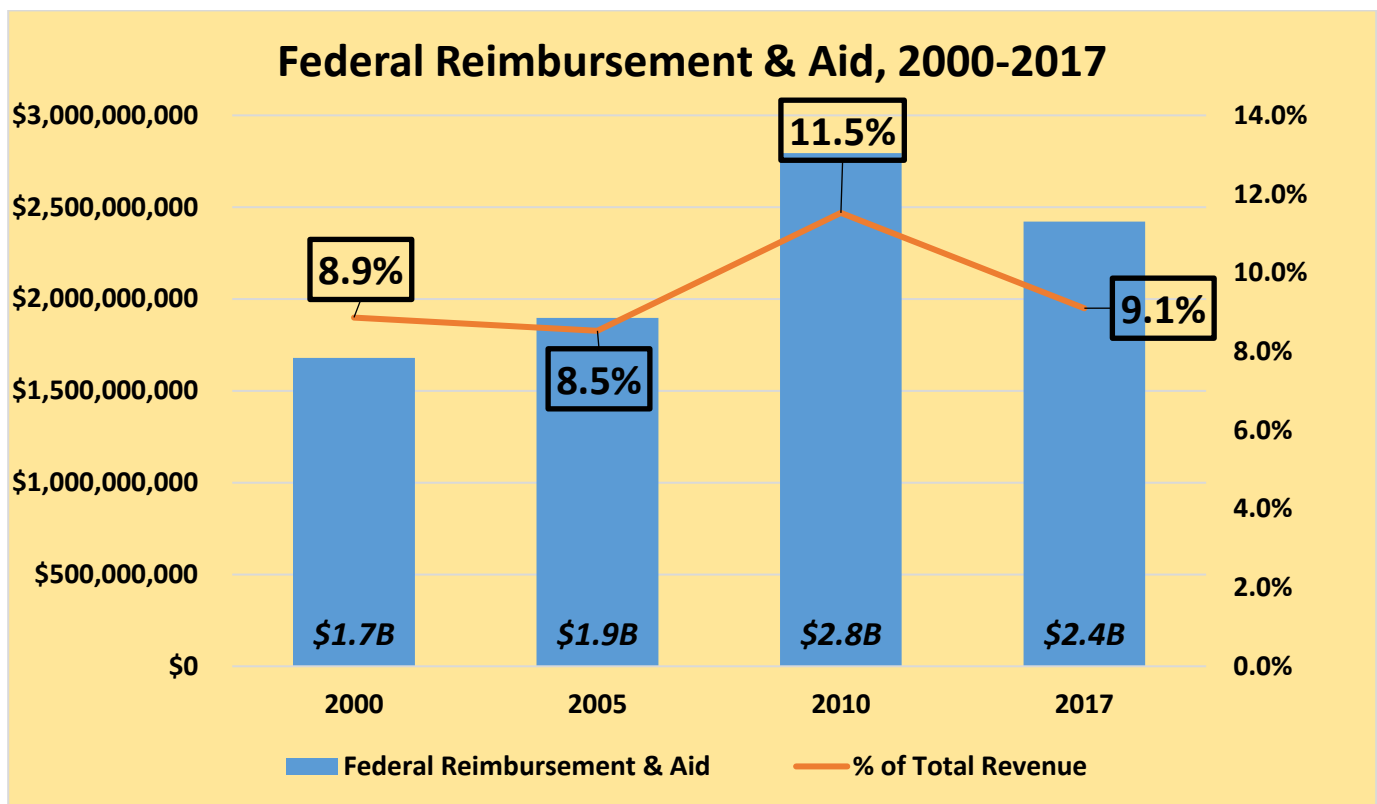
State reimbursement and aid varies widely by county as a share of total revenue. In 2017, state reimbursement and aid ranged from 6.7 percent of total county revenue to 23.4 percent. The high end of this range is due to a one-time payment to a county for its hospital. For the average county state reimbursement equaled about 14.3 percent of total revenue in 2017.



Federal Reimbursement and Aid (9.1 percent of aggregate county revenue)

Counties also administer and fund many federal programs (usually at the direction of the state). Federal reimbursement and aid to counties departs from the trend in state reimbursements to counties especially in regard to funding provided during the Great Recession. Given the federal government’s ability to deficit spend, they greatly expanded funding to states and counties during the downturn. The peak in federal spending was in 2010 for counties and has since been slowly declining.

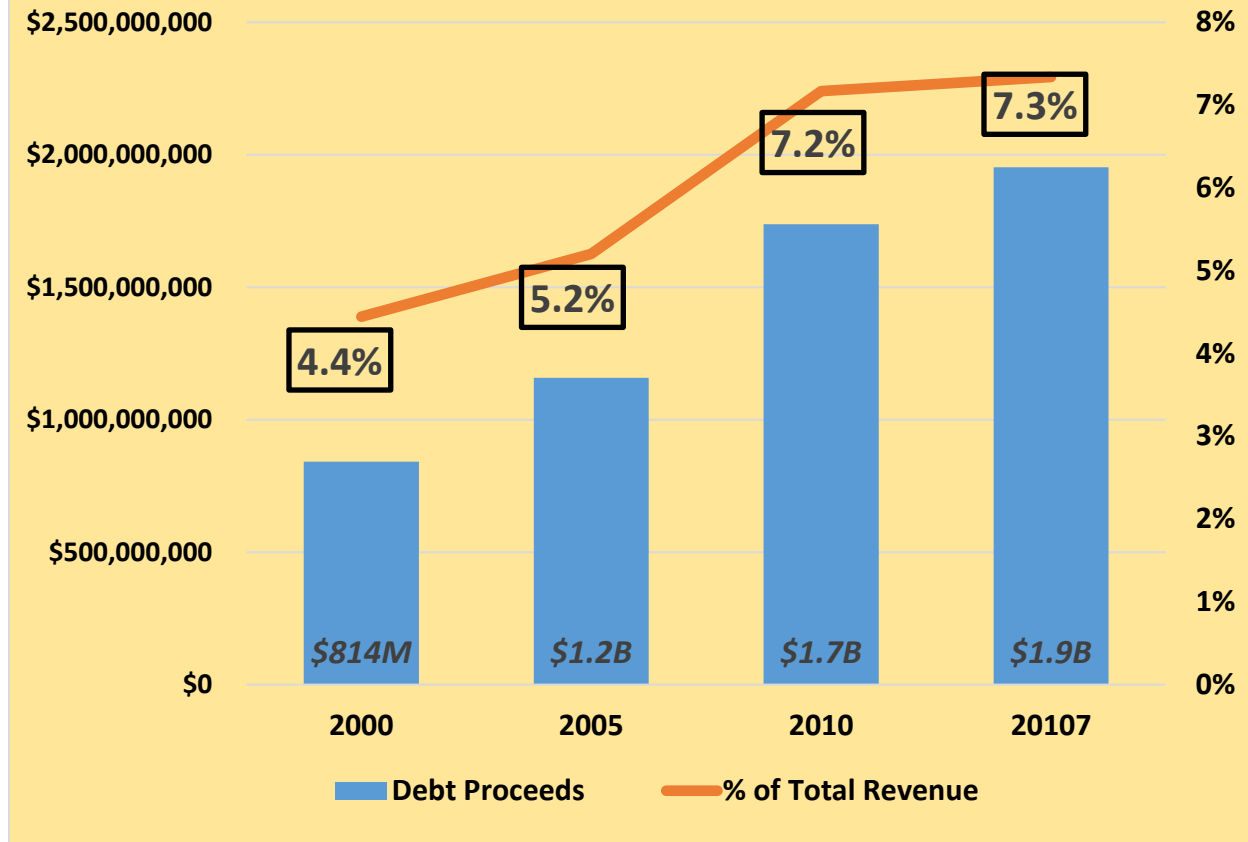
Federal aid increased from \$1.7 billion in 2000, to \$2.4 billion in 2017, about 9.1 percent of total county revenue in 2017. Today, federal reimbursement and aid equals about 9.9 percent of the average county’s total revenue, ranging from 3.1 percent to 27.5 percent.



Proceeds from Debt (7.3 percent of aggregate county revenue)

Proceeds from debt include financial resources provided primarily from the issuance of long-term liabilities such as serial bonds, installment bonds, advance refunding bonds, bond anticipation notes, installment purchase debt, and other types of long-term debt. For 2017, debt proceeds represented about 7.3 percent of the total county revenue, but 23 counties had no debt proceeds at all. This ranged from zero percent of total revenues to 17.3 percent. Debt proceeds can vary significantly in any given year, in total dollars and share of total revenues, depending on the timing of capital needs, debt market conditions and the size of counties seeking debt and their related projects. For example, in 2017, over 76 percent of the total debt originated from the four largest counties.

Proceeds from Debt, 2000 to 2017



Major Expenditures for County Government

In New York, county expenditures are heavily driven by state law under which county governments are required to administer and fund a large array of state and federal programs on behalf of both entities. For most state mandated programs, counties only receive partial reimbursements to cover the costs of these state and federal programs. While there are many individual expenditures made by counties they are generally consolidated under the following categories for reporting purposes:

- General Government
- Education
- Public Safety
- Health
- Transportation
- Social Services
- Economic Development
- Culture, Recreation & Community Services
- Sanitation and Public Utilities
- Employee Benefits
- Debt Service

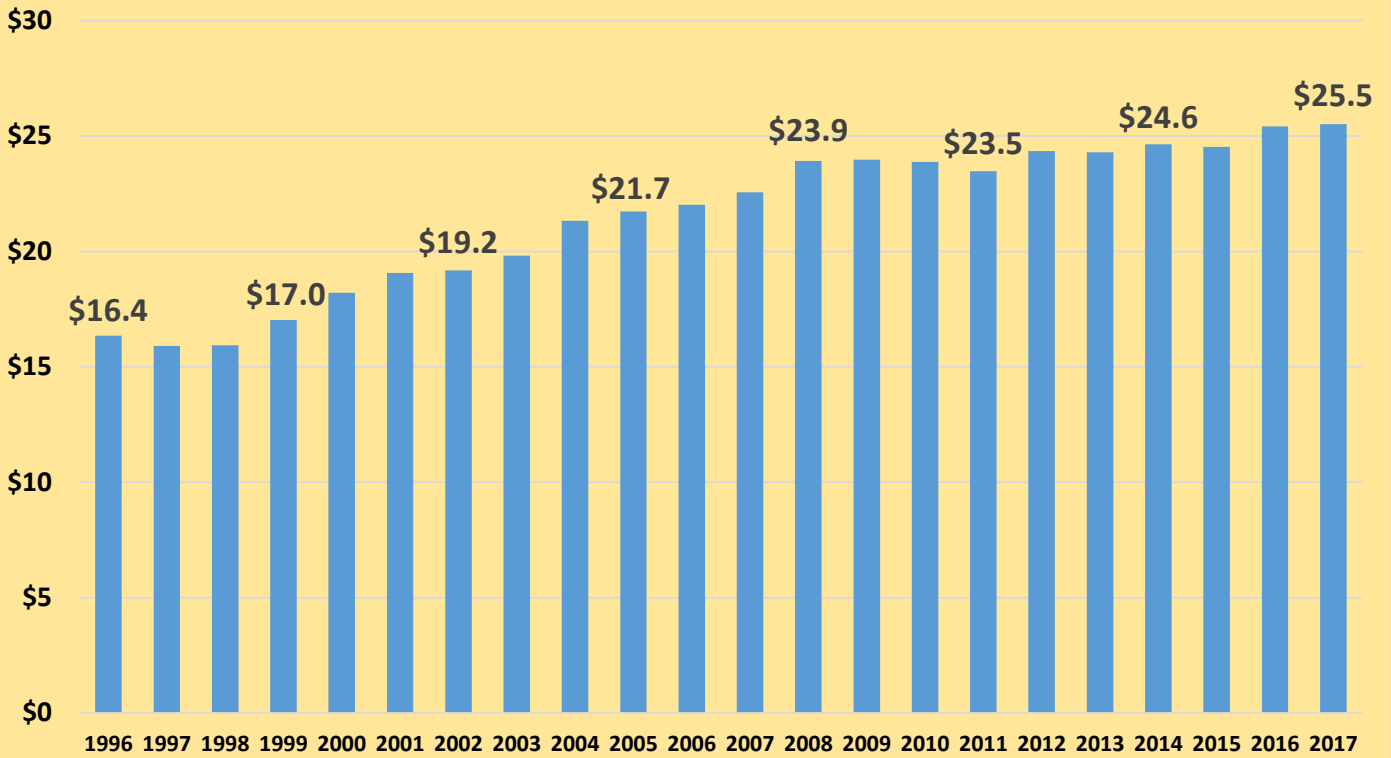
As with revenues, it is often difficult to make precise comparisons across counties as not all counties report their expenditures the same way, and some must address unique economic and demographic circumstances. However, the summaries in the following pages can be a useful starting point to identify trends and shed light on how a typical county spends their revenues in support of state mandated and local quality of life programs.

As indicated, county spending can be highly correlated to increases in state-imposed mandates. Expansions of mandated programs, specifically social services and employee benefits can cause total expenditures to increase. In 2017, these two spending items equaled 38.7 percent of total spending for a typical county (not including sales tax sharing). In 2000, before major expansions of these two programs, they accounted for 33.6 percent of total county spending. Conversely, when the cost of a mandates is reduced, due to reforms, total expenditures can decline or be flat.

Spending can also be highly correlated to economic conditions. During a recession, costs for counties can rise due to an increased demand for social services. During severe or prolonged economic downturns, even with increased spending needs, county spending can be curtailed because there is insufficient revenue to support all spending needs. County costs could also rise in periods of strong economic growth as investment may be necessary to support population growth and infrastructure needs.

The following chart provides a look at total county expenditures from 1996 through 2017. A state mandated expansion of Medicaid eligibility occurred in the early 2000's along with an enhancement in pension benefits followed by the bursting of the dot.com stock market bubble – these factors likely influenced the increase in spending. The negative revenue impacts after the dot.com bubble burst flattened spending in 2002. In the aftermath of the Great Recession there were actual declines in spending followed by a prolonged period of flat spending.

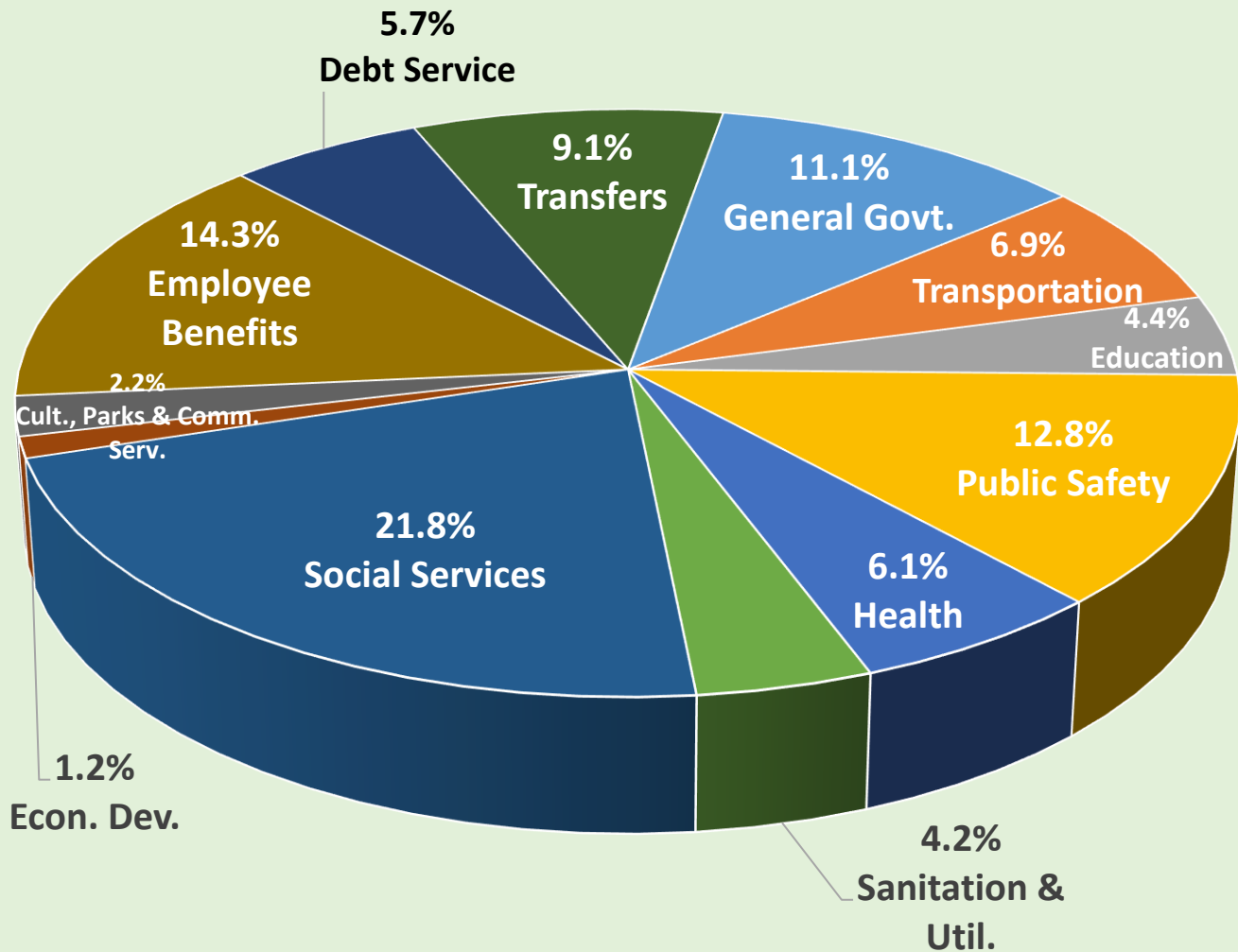
Total County Spending - \$ in Billions



*Does not include sales tax sharing

The chart on the following page provides a high-level summary of county expenditures in 2017. The chart depicts the percentage share by major funding category for all counties combined. The percentage shares for any one county will vary, as larger counties and those with unique needs can skew the overall averages.

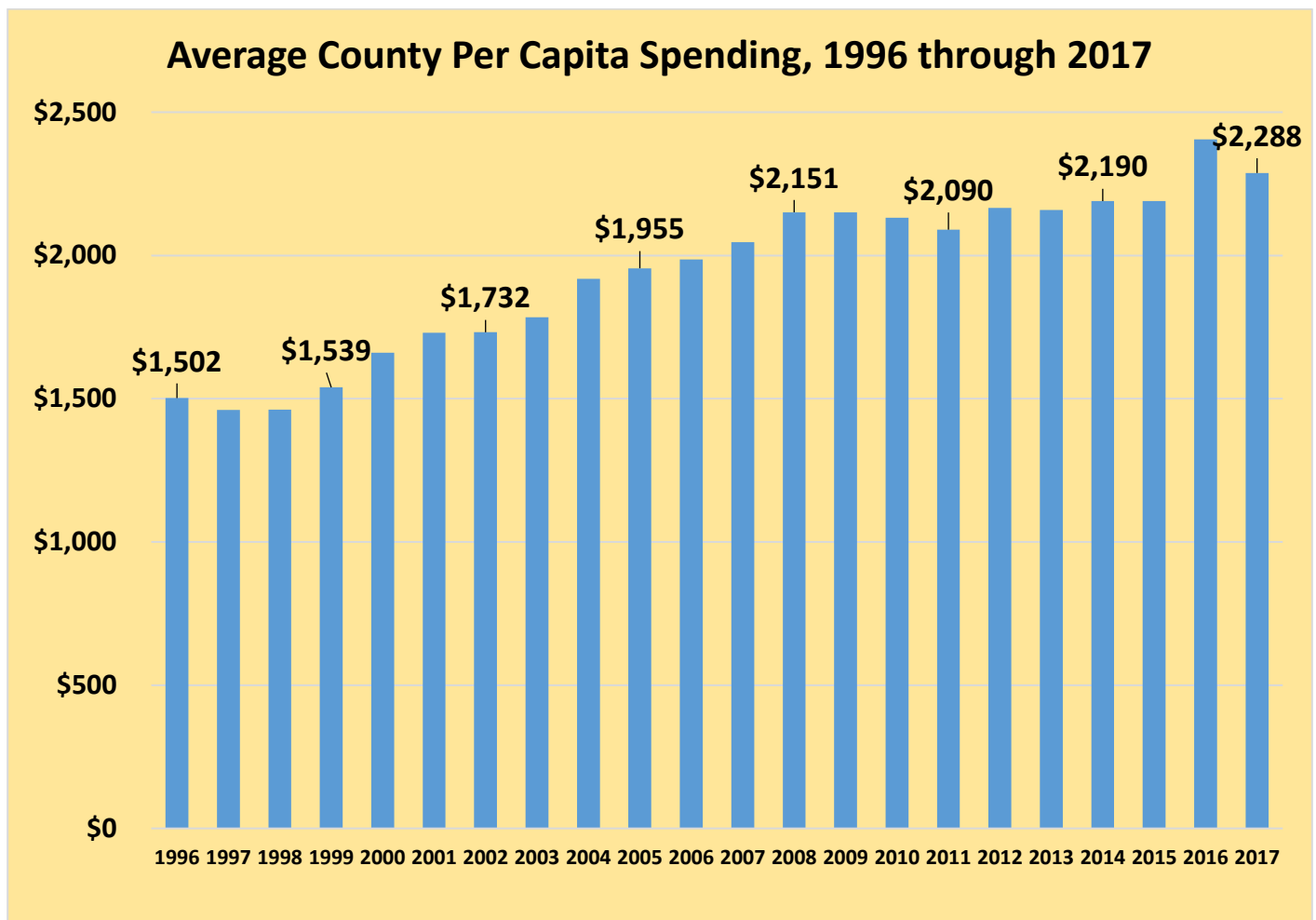
Total County Expenditures & Other Uses, 2017



- General Government (11.1%)
- Education (4.4%)
- Health (6.1%)
- Social Services (21.8%)
- Culture, Parks & Comm. Serv. (2.2%)
- Debt Service (5.7%)
- Transportation (6.9%)
- Public Safety (12.8%)
- Sanitation & Pub. Util. (4.2%)
- Economic Dev. (1.2%)
- Employee Benefits (14.3%)
- Transfers (9.1%)

Per Capita Expenditures

Average per capita county expenditures vary from year to year and averaged an annual rate of growth of 2.06 percent from 1996 through 2017, slightly lower than the annual rate of inflation during this same period (2.16 percent). In the direct aftermath of the Great Recession the average per capita spending moderated significantly and remained nearly unchanged from 2007 through 2015. From 2008 through 2017 average county per capita expenditures rose from \$2,151 to \$2,288, a 6.4 percent increase (while inflation increased by 16.9 percent over the same time frame).



About half of all counties kept their total per capita growth below 5 percent from 2008 through 2017. In total, 21 counties (37 percent) spent less per capita in 2017 than they did in 2008.

General Government (11.2 percent of aggregate county expenditures)

This category recognizes expenditures for the “nuts and bolts” of countywide governing such as administration (executive, legislative, judicial branches); physical operations (buildings, maintenance, improvements, etc.), financial operations, etc.

It should be noted that within this expenditure category is included local sales tax sharing. About 10 years ago the State Comptroller required counties to report this “pass-through” funding as a revenue and expense, prior to this time it was not reported as either since it was not revenue

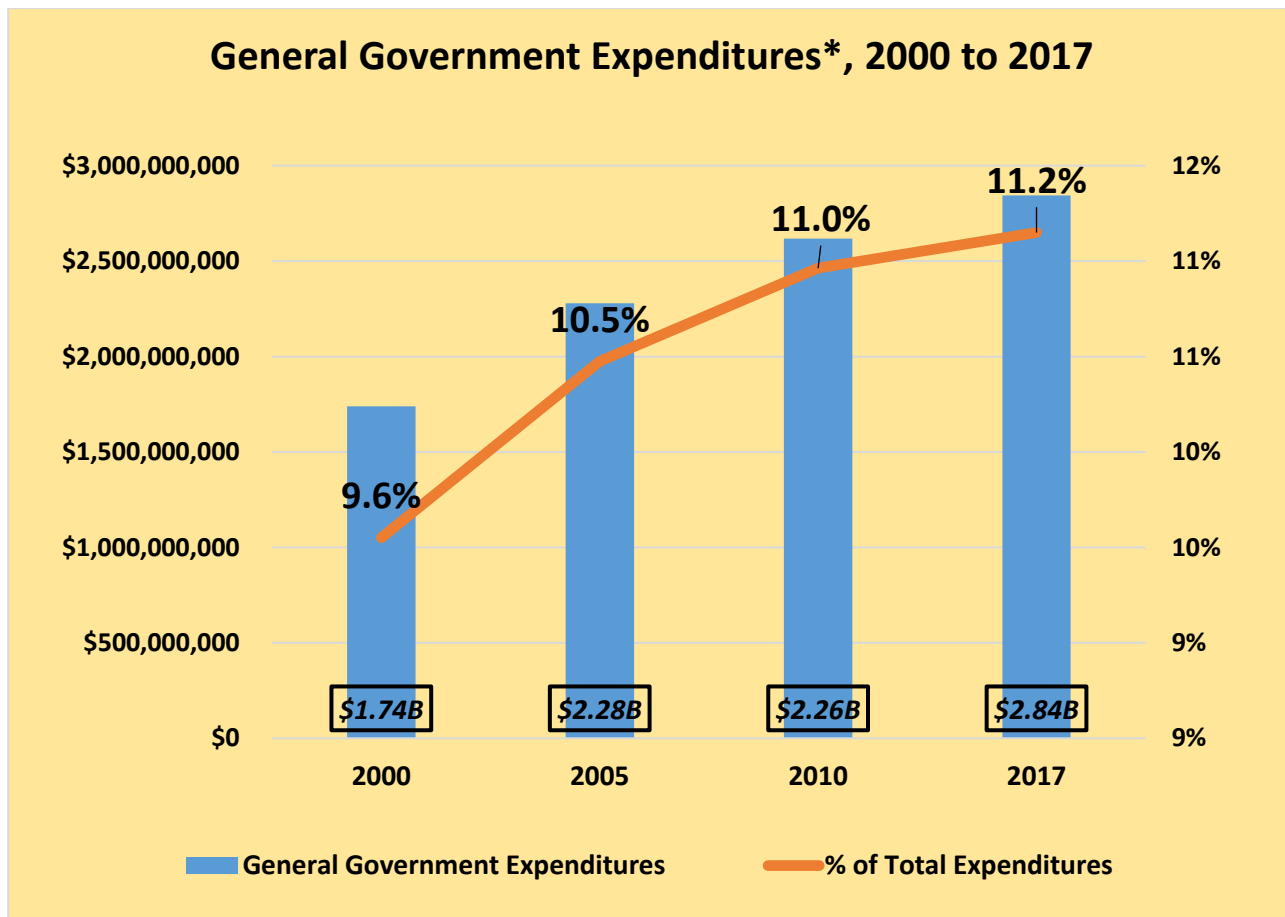
retained by the county for budgeting purposes. To allow for comparisons across time the expenditure categories described below are presented net of any sales tax sharing.

However, sales tax sharing is a significant expenditure. In 2018, counties shared about \$1.9 billion in sales tax revenue with cities, towns, villages and school districts.

Net of sales tax sharing, counties spent about \$2.84 billion in 2017 under the general government category, with 86 percent of that going toward administration and operations. On average, a typical county spent about 12 percent of their total expenditures in this category, ranging from 3.1 percent to 21.8 percent.

This category can be heavily influenced by how counties report their general government costs, mainly employee benefits. Some counties include pensions and other benefits costs under general government and this can make comparisons across counties more difficult.

In 2017, general government spending was about 11.2 percent of aggregate county expenditures.



*Does not include sales tax sharing

Education (4.4 percent of aggregate county expenditures)

Expenditures in this category primarily cover community college sponsor costs, community college chargebacks, and could also include preschool special education services (although some counties

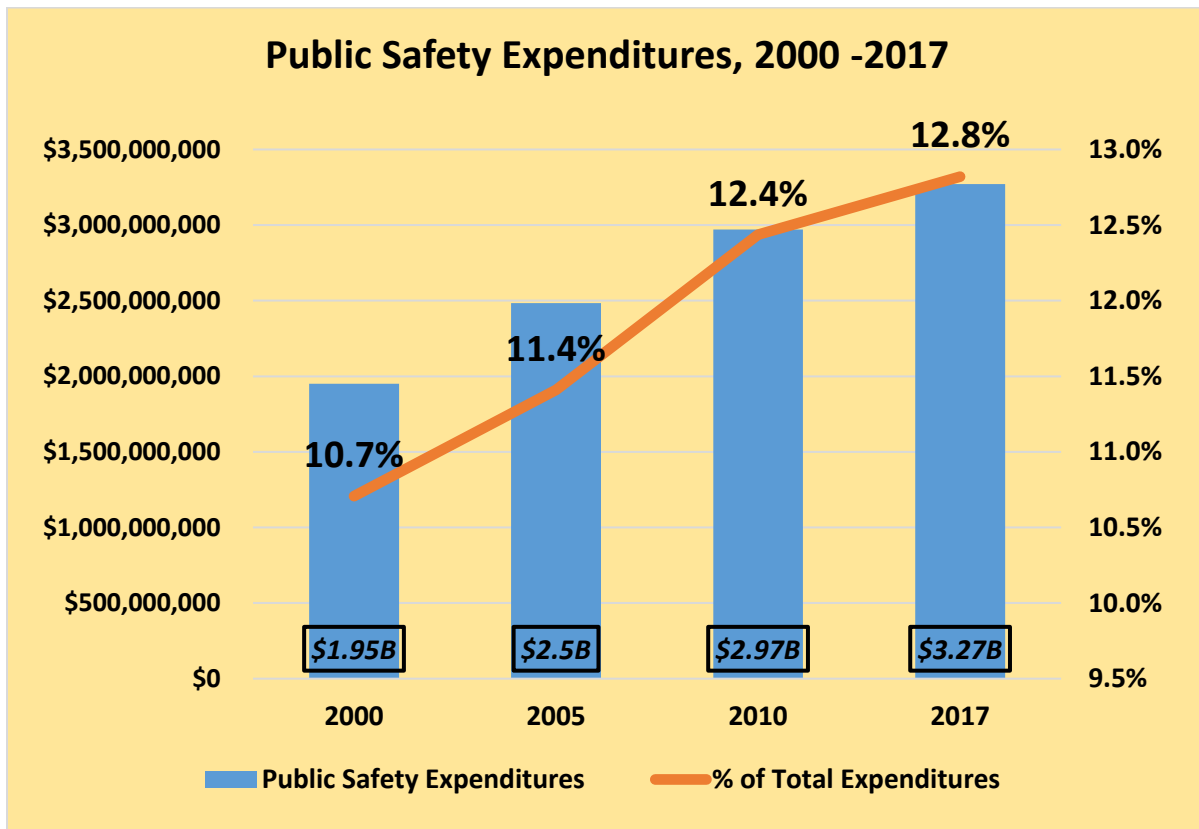
report these costs under social services). Even though Community College costs have generally doubled since 2000, this overall category of spending has remained relatively steady as a percent of total county spending, rising from 3.9 percent in 2000 to 4.4 percent of total county spending in 2017.

Public Safety (12.8 percent of aggregate county expenditures)

Expenditures in this category include costs for police or sheriff, corrections, probation, disaster response, civil defense, public safety administration, fire services, among others. A large portion of total county public safety in 2017 are attributable to policing activities on Long Island where the two counties provide countywide policing services. The lion’s share of the remaining costs for counties in this category are for corrections and probation services.

In 2017 counties spent \$3.3 billion for public safety, representing 12.8 percent of total county expenditures. This is up from \$2 billion spent in 2000, representing 10.7 percent of total county expenditures.

Public safety expenditures consumed 10.5 percent of the average counties’ budget in 2017, ranging from 3.3 percent to 22.6 percent (for the county at the high end of the range miscellaneous public safety services increased by \$40 million from the prior year, likely related to construction of a new jail).

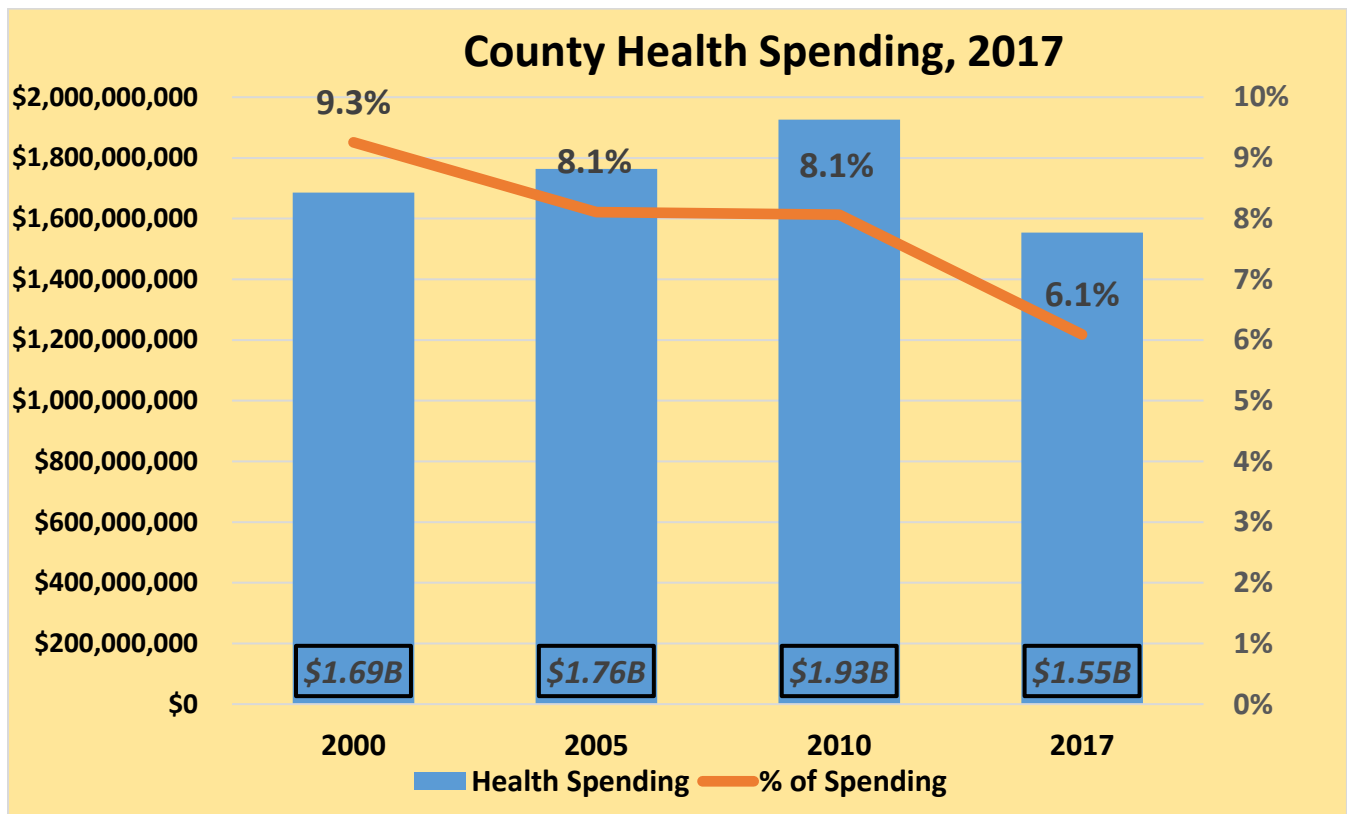


Health (6.1 percent of aggregate county expenditures)

Counties provide a wide range of health-related services and expenses in this category could include public health, public health administration, mental health services, environmental services, maintaining and operating health facilities (which could include clinics, nursing homes and hospitals), among other miscellaneous health functions. Medicaid costs are not reported in this category, they are reported under “Social Services”.

Expenditures in this area have been deeply impacted by state reimbursement changes, specifically for public health administration and service delivery, and nursing home reimbursements. As the Great Recession created large state budget gaps a wide array of state reimbursements to counties were reduced. Reimbursements to counties for public health administration and the delivery of public health services were cut dramatically beginning in 2010. Counties responded by reducing spending by more than 21 percent. Concurrently, the state cut reimbursements to all nursing homes, while also not providing cost of living increases for public nursing facilities. This put increasing fiscal pressures on those counties still operating such facilities. Since 2006, 18 county nursing homes have been sold, closed or merged with a private sector facility, representing about half of all county nursing homes. This had been a function of county government for well over a hundred years.

In 2017, counties spent just over \$1.5 billion for health services, this represented about 6.1 percent of total county expenditures. There is a wide range in costs on a per county basis as those with nursing homes and/or hospitals have much higher expenses to support those facilities. Health expenditures as a share of total county expenditures range from 1.7 percent to 32.8 percent (this county owns a hospital).



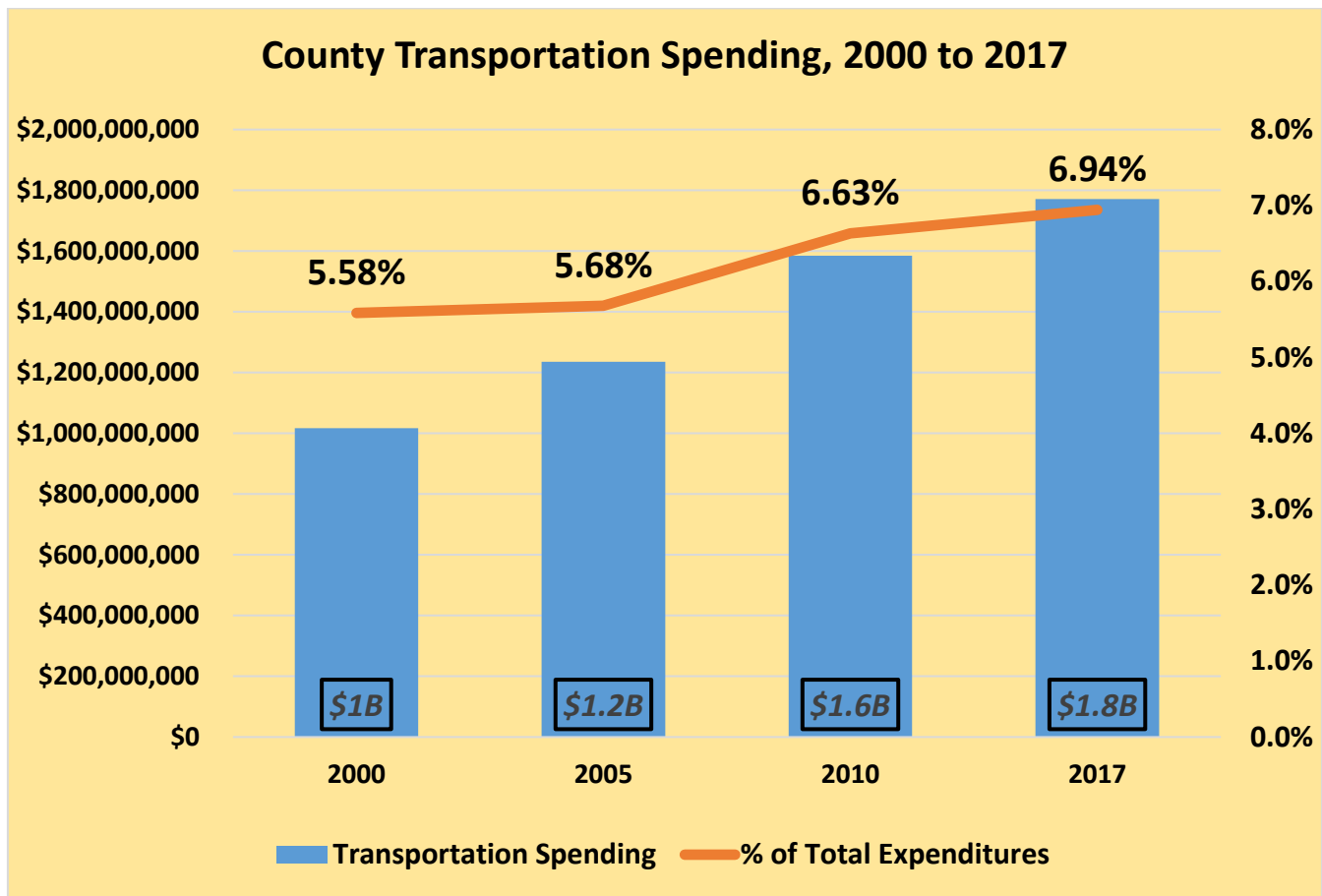
Transportation (6.9 percent of aggregate county expenditures)

Spending for transportation services includes highways, bridges and culverts, transit, bus, rail, airports, waterways, transportation facilities, transportation services provided to other governments, street lighting, sidewalks, off-street parking and maintenance of all categories (snow removal, striping, etc.).

In 2017 counties spent nearly \$1.8 billion in support of transportation services, about 6.9 percent of total county expenditures. Since 2000, the amount counties have spent on transportation has increased in dollars and as a share of total expenditures. Expenditures rose nearly 80 percent from 2000 to 2017, from \$1 billion to \$1.77 billion. Over the same time period transportation as a share of total county expenditures increased from 5.6 percent to nearly 7 percent.

Nearly half of all expenditures in this area were for highways and bridges. Transportation categories that nearly tripled in spending between 2000 and 2017 include airports and rail, but combined these two categories were still less than half the amount spent on highways and bridges in 2017.

In 2017, the average county spent 9.7 percent of their total expenditures for transportation services with a range from 3.2 percent to 30.9 percent. For 25 counties, their transportation expenditures were greater than 10 percent of their total expenditures.

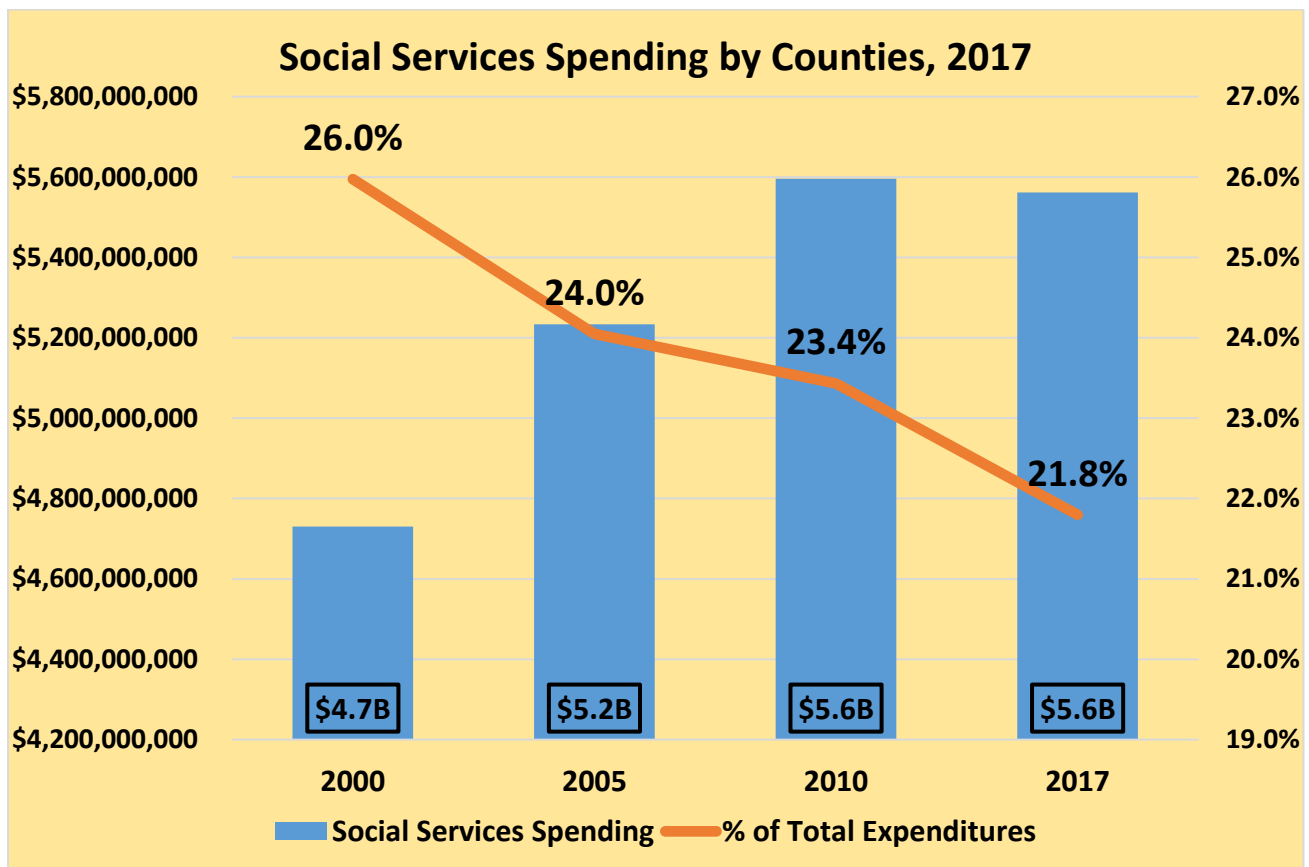


Social Services (21.8 percent of aggregate county expenditures)

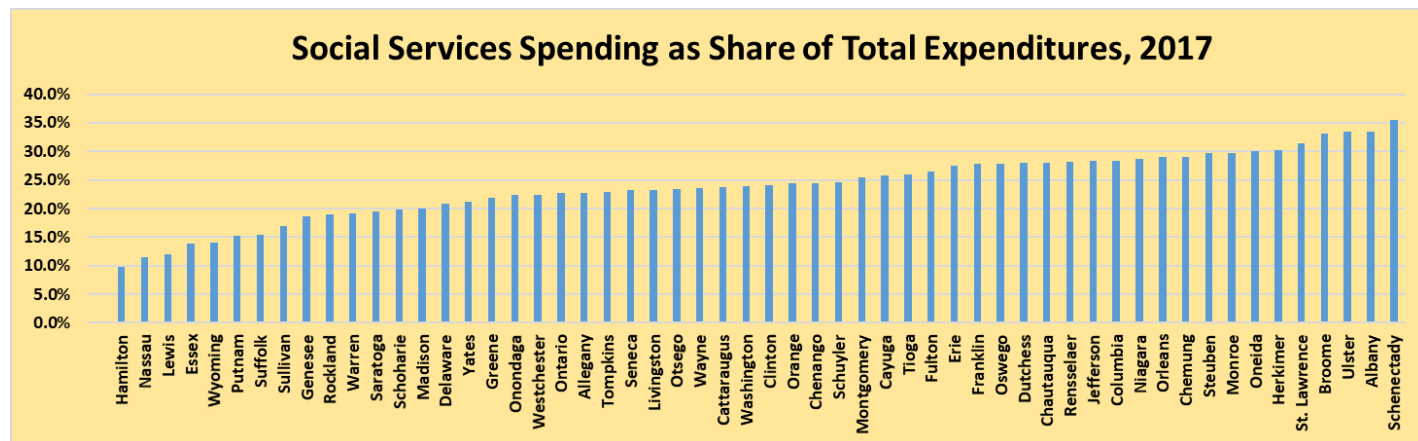
Spending in this category has consistently been the number one expenditure item for most counties for decades. The main reason for this high spending is that New York State mandates that counties administer and pay for many state and federal social service programs. These programs provide public assistance for individuals and families economically unable to provide for themselves. Such programs include: Medicaid, non-Medicaid medical assistance; housing, employment services; cash assistance through Safety Net; youth services; social services administration; home heating and cooling assistance; child welfare; day care; emergency aid; food assistance; domestic abuse prevention; elder abuse protection; services and cash assistance to the aged, blind and disabled; among others.

In 2017 counties spent \$5.8 billion for social service programs, representing 23.6 percent of total county expenditures. While spending in total dollars is up in this category from \$4.7 billion in 2000, to \$5.6 billion in 2017, social services spending has fallen as a share of total county expenditures from 26 percent to 21.8 percent. However, social services spending per capita has increased over this same time-period from \$431 in 2000 to \$499 in 2017 (not including New York City). The average per capita spend in 2017 was \$518.

Medicaid represented 41 percent of total county spending for social services in 2017, with another 30 percent being provided in the form of financial assistance for a wide variety of social services programs such as (LIHEAP, disability payments, day care, WIC, Safety Net, etc.).



Average social services spending by county was about 24 percent of total expenditures in 2017, ranging from 9.7 percent to 35.5 percent.



Economic Development (1.2 percent of aggregate county expenditures)

In 2017, counties spent just over \$298 million for economic development related programs, about 1.2 percent of total county expenditures in that year. Spending in this category supports economic development administrative costs, development infrastructure, business promotion, economic development grants, support for industrial development agencies (IDAs), urban renewal, etc.

While spending for economic development is quite small in comparison to other county expenditures it has nearly tripled since 2000, rising from \$120 million to just over \$298 million in 2017. The average spending by county is about .94 percent, ranging from 0 percent to 4.8 percent in 2017.

Culture, Recreation and Community Development (2.2 percent of aggregate county expenditures)

Counties support a wide variety of local quality of life programs in this category including museums and historical properties, performing arts venues, parks, hiking trails, marinas, libraries, adult and youth recreation, community events and development services, among other items. The combined spending in 2017 across these many categories was nearly \$559 million, or 2.2 percent of total county spending.

The average spending per county was 2.3 percent in 2017. As a percent of total expenditures, spending in this category fell from about 3 percent in 2000 to 2.2 percent in 2017. However, spending remained relatively consistent at \$50 per capita during this same period.

Sanitation and Public Utilities (4.2 percent of aggregate county expenditures)

More than 90 percent of expenditures in this category fall under sanitation. Within the sanitation category 68 percent of spending was for public sewer services (most of this spending occurred in three counties that operate extensive water and sewer systems on a countywide basis) and another 17 percent was for landfill maintenance and operations.

In 2017, county expenditures for sanitation and public utilities was \$1.07 billion, or 4.2 percent of total county expenditures. However, many counties do not register any spending at all for sewer, landfills and/or public utilities so the average spent per county is much lower, about 2.7 percent. Only 23 counties record expenditures for sewers, 38 for landfills and only 16 for public utilities.

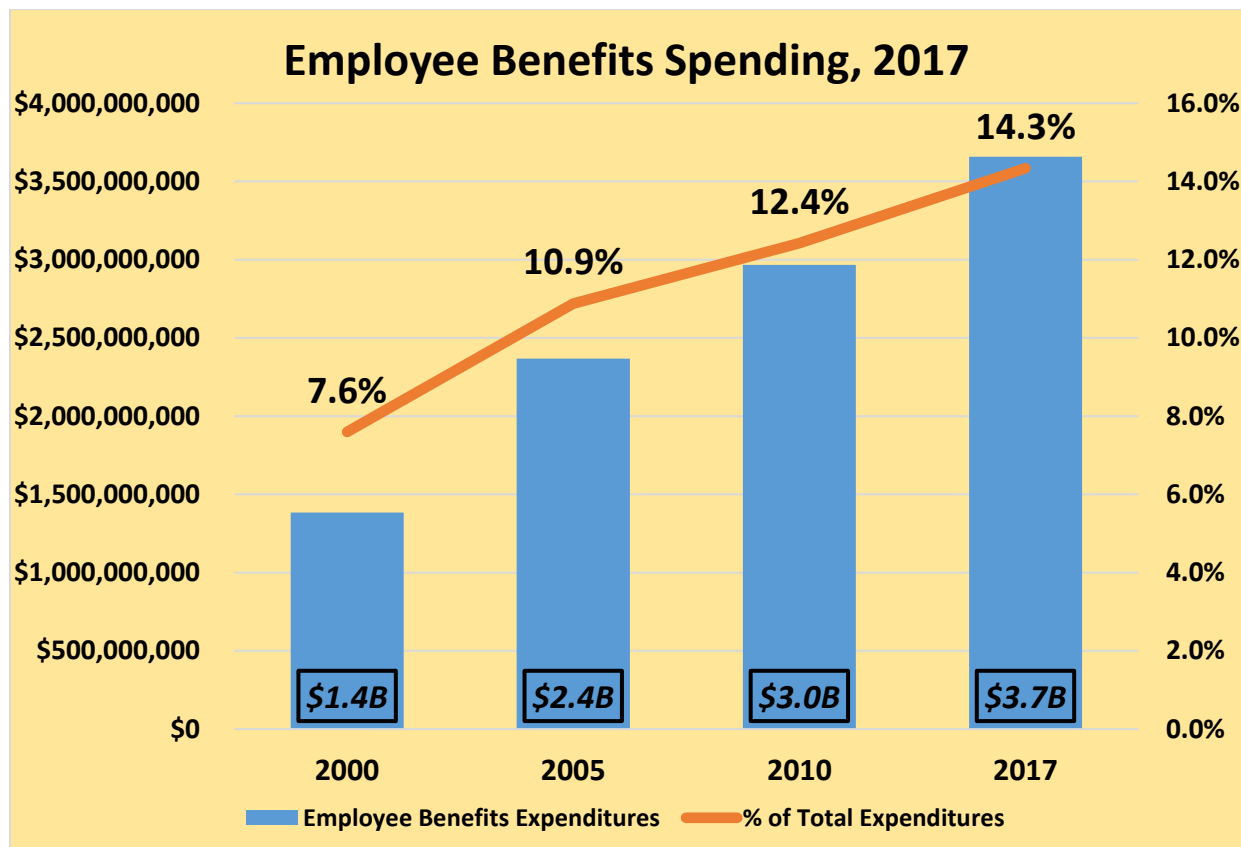
Employee Benefits (14.3 percent of aggregate county expenditures)

Expenditures for employee benefits include costs related to mandated state and local retirement (pensions), health insurance, social security, life and disability insurance, workers' compensation, unemployment insurance, among other items.

In 2017 total county expenditures for employee benefits was \$3.66 billion, or 14.3 percent of total county expenditures. The costs vary by county ranging from 6.8 percent to 27.1 percent of total county expenditures, with the average being 14.7 percent for a typical county.

Expenditures in this category have risen dramatically since 2000 driven by increasing costs for state mandated pensions, workers compensation and health insurance. Changes in spending in key areas in this category include:

- Pensions increased dramatically rising from \$69 million in 2000 to \$916 million in 2017;
- Health insurance, including retiree, costs more than doubled, rising from \$476 million in 2000 to \$1 billion in 2017; and
- Workers Compensation costs have varied dramatically during the time frame and nearly doubled between 2000 and 2017, rising from \$63 million to \$118 million (peaking at \$154 million in 2013)



Debt Service (5.7 percent of aggregate county expenditures)

Debt service costs were covered in more detail in the debt portion of this report, but we are repeating some of the key points related to debt service. For 2017, NYSAC estimates total county debt service costs were about 5.7 percent of total county expenses. The average per county was 3.2 percent, ranging from zero percent to 10.5 percent. For 20 counties, debt service was less than two percent of their total expenditures.

Transfers (9.1 percent of aggregate county expenditures)

Depending on local and state laws, transfers of funds between different accounts and purposes is authorized in many circumstances and represents a use of funds. The total dollar amount of authorized transfers has declined slightly since 2000, dropping from about \$2.5 billion to \$2.3 billion. As a result, transfers as a share of total county expenditures has dropped from 13.8 percent in 2000 to 9.1 percent in 2017.



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