

Limits of Fiscal Federalism: How Political Narratives in Upstate New York Constrain Local Governments

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*The Nelson A. Rockefeller Institute of Government
Research and Practice in Progress Briefing*

Albany, NY | November 16, 2016

Overview



I. Public Finance & Narratives

II. Research Questions

III. Methodology

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Public Finance & Narratives

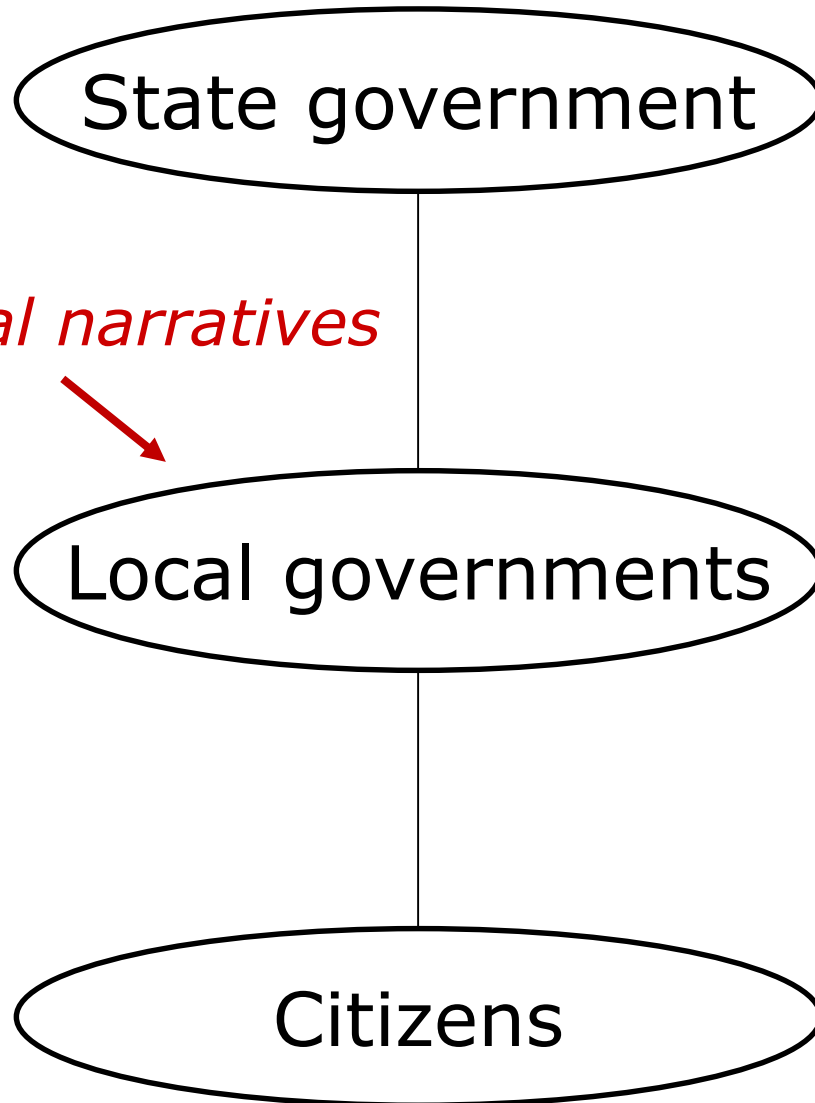
Public Finance

- Local fiscal stress is structural and chronic (Pagano & Johnston 2000)
- Need for fiscal sustainability (Chapman 2008; Ward & Dadayan 2009)
- TELs, emergency managers, state receiverships, financial control boards.

Narratives

- “Scalar dumping” (Peck 2014)
- Crisis narratives justify state intervention (Hinkley 2015)

Research Questions



- How do political narratives shape local government choices?
- What are the consequences?
- Possibilities for counter-narratives?

Methodology



- **Case study** of Upstate New York

- **Data:** semi-structured round-table focus groups (5 groups; 83 officials), interviews, observations, Comptroller's local government finance, media reports.

- **Analysis:** grounded approach (Strauss & Corbin) + "notice-collect-think" approach (Friese)

Background: New York State



- High decentralization

State	State Decentralization
NV	0.65
NY	0.64
PA	0.51
NJ	0.53
CT	0.47
MA	0.43
VT	0.38

- High taxing & high spending

State	REV per capita (\$)	EXP per capita (\$)
NY	6,962	7,710
AK	6,615	6,601
MD	4,887	5,036
TN	4,748	4,738
MA	4,532	4,535
CT	4,330	4,471
WY	4,226	3,999

Data: 2012 Census of Government, 2010 Census
Note: excludes special districts and school districts. WY ranks 8th in expenditures per capita.

The Story



*"Remember, my friends, **the property tax is the killer tax** in this state, and it has been for a long time." (Cuomo 2016 State of the State address)*

*"...**local property taxes are simply out of control**.... A major reason that property taxes in NY are so high is that **we have too many local governments**.... That's **wasteful and very, very expensive**." (Cuomo 2011 Tax Cap Intro Video)*

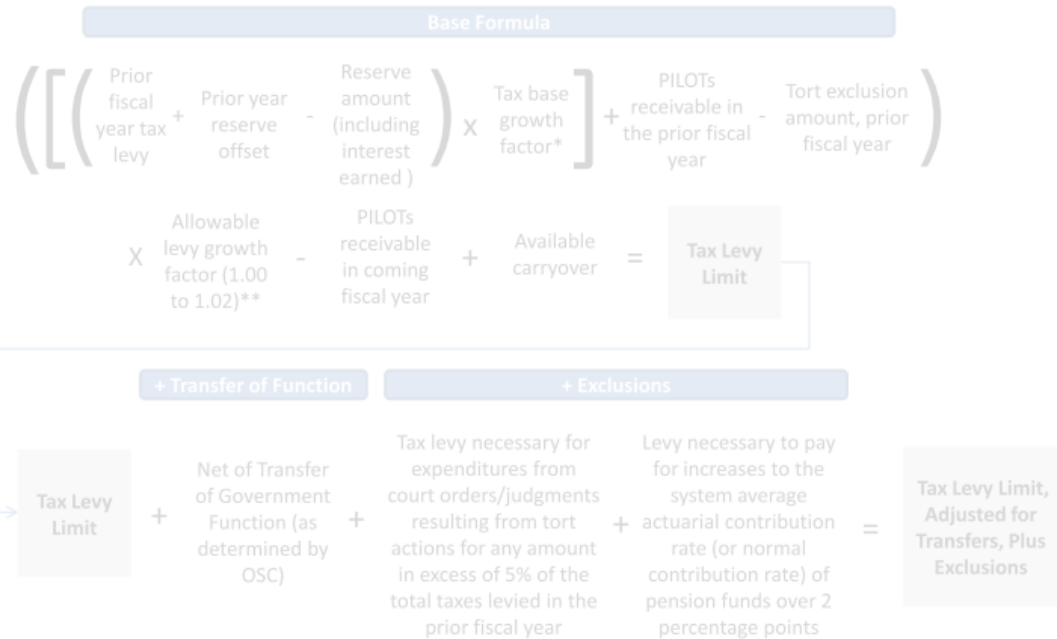


The Tools



Tax Cap

Formula for determining a local government's tax levy limit under the cap (Chapter 97 of the Laws of 2011):

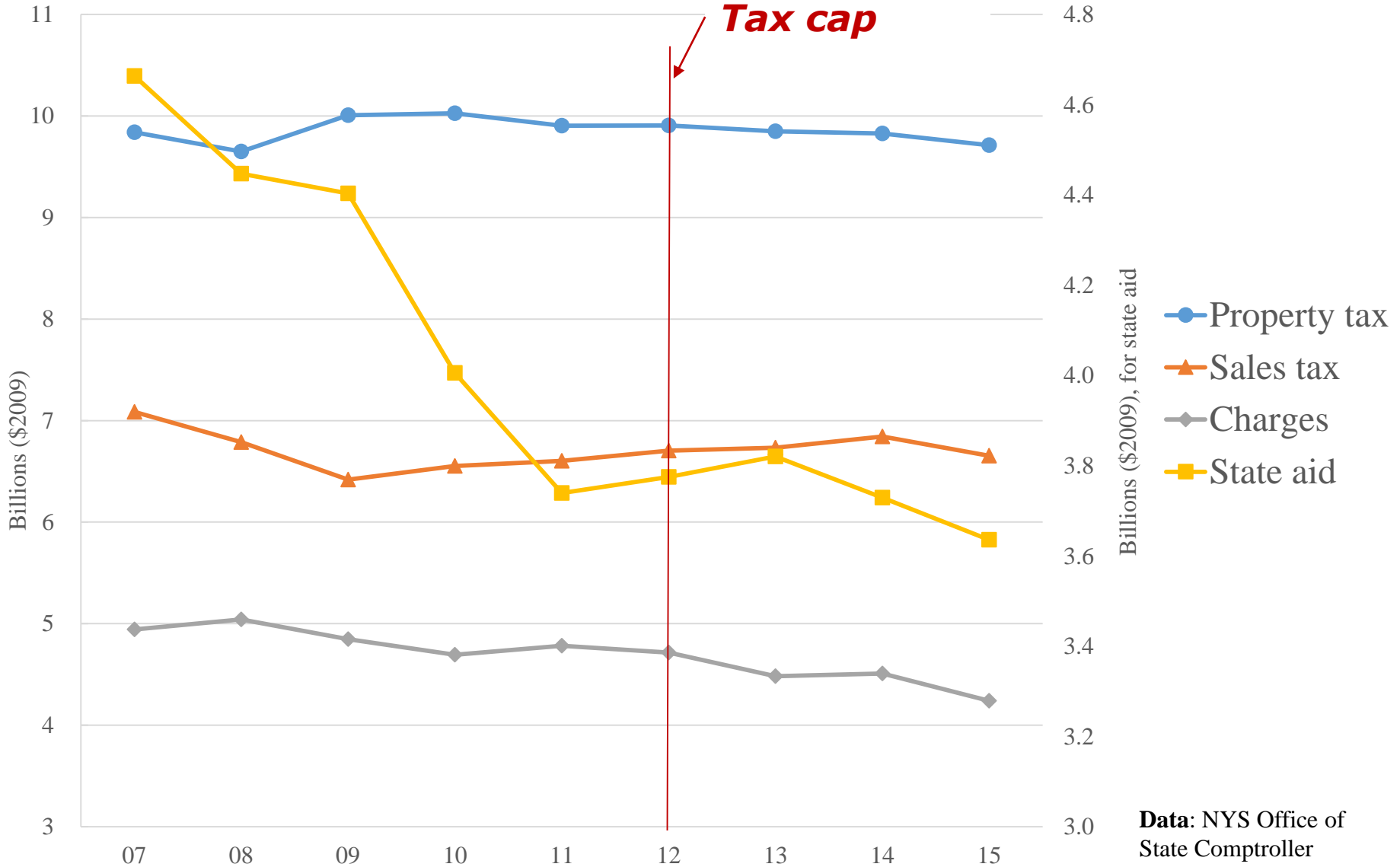


Tax Freeze

- No Override + Government Efficiency Plan = **CHECK**

The Numbers

Local Government Revenue Trends, 2007-2015



The Consequences (1)

● Timid revenue responses

- Tax cap override?

"What's he [the Governor] going to do then?" (Erie)

*"You go over the cap, and **it's like you've just taken people's first child**" (NYCOM)*

- Fees?

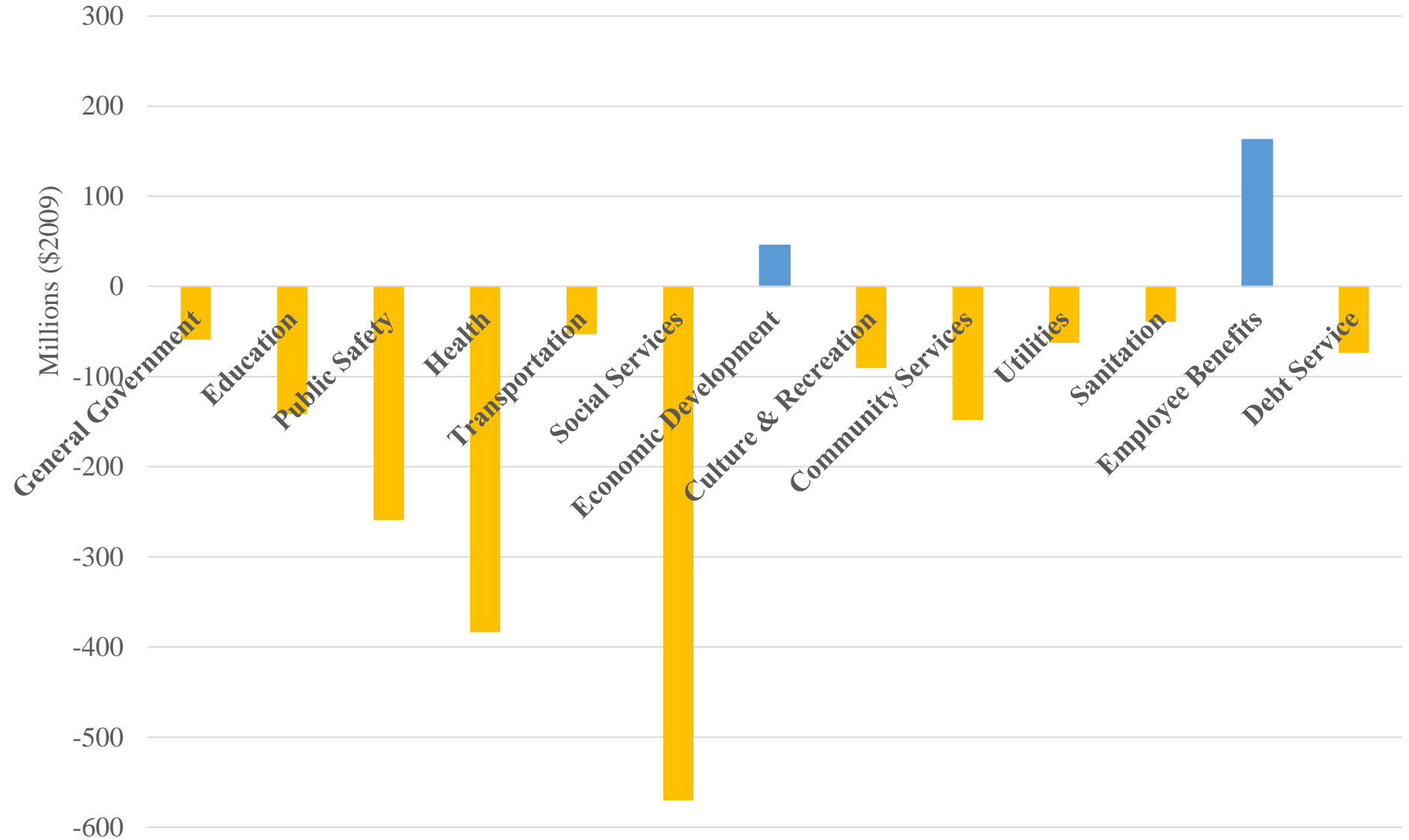
*"My sense is any fees that have been approved by home rule legislation in the past will not likely be approved...with this legislature. **We've basically seen the door slammed down shut and tight** on any requests for what other municipalities have done in the past." (NYCOM)*

*"People want these things and whenever you increase the use of [fees], it's a nuisance tax []. **Yesterday I didn't have to pay for this...Now I have to pay to use this park or I have to pay to use my library** or whatever it is." (NYSAC)*

The Consequences (2)



Changes in Local Government Expenditures, 2011-2015



The Consequences (3)

● Shrinking fiscal sustainability

*"Everyone has dug through the closet and found everything they can; looked inside the couch and pulled out all the coins, figured [out] everything we can cut back. **We're at the point of starting to burn the furniture to heat the house.**"*

(NYCOM)

*"My point is [] you're looking at municipalities that have **figured out a way in the short term**, and I would offer to you that every municipality can accomplish this.... But it is, **in the end, the long term that we just can't sustain.**" (Dutchess)*

One Voice vs. 1,600 Voices



- **Counties:** “9 for 90”

- **Cities:** unions

- **Towns and Villages:** “Death by 1,000 cuts”

*“All the groups can’t decide which one they want. Every time I sit down with a different stakeholder they give me **ten different ones and they never come to the table with the same issues**” (state senator recalls conversation with Gov. Cuomo on mandate relief)*

The Voiceless Pay

The State

Can avoid blame.

*"The State continues to look at this unfunded mandate thing and says, 'Hey, this is pretty fun. **We get to go out and Christmas charge on my neighbor's credit card, and we can continue to add new services and get all the credit...** While at the same time beating us over the head like a baby seal on the beach."* (NYCOM)

Local governments

Worried about the future, but creating counter-narrative is risky.

"they [the State] might throw us [local governments] a crumb of [] money once in a while" (NYCOM)

Citizens

Can enjoy services with lower taxes.

*"[Residents] want reduced revenue but there is an **expectation of continued service.**"* (Dutchess)

Conclusion

State government



Local governments



Citizens

"Inefficient local government" narrative

Thank you

Questions or comments?
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