New York Efficiency & Competitiveness: Findings

Presentation to the New York State Commission on Local Government Efficiency & Competitiveness

By Wendell Cox - 18 February 2008





ASSUMPTIONS

Larger local governments are more efficient

Consolidated local governments are more efficient

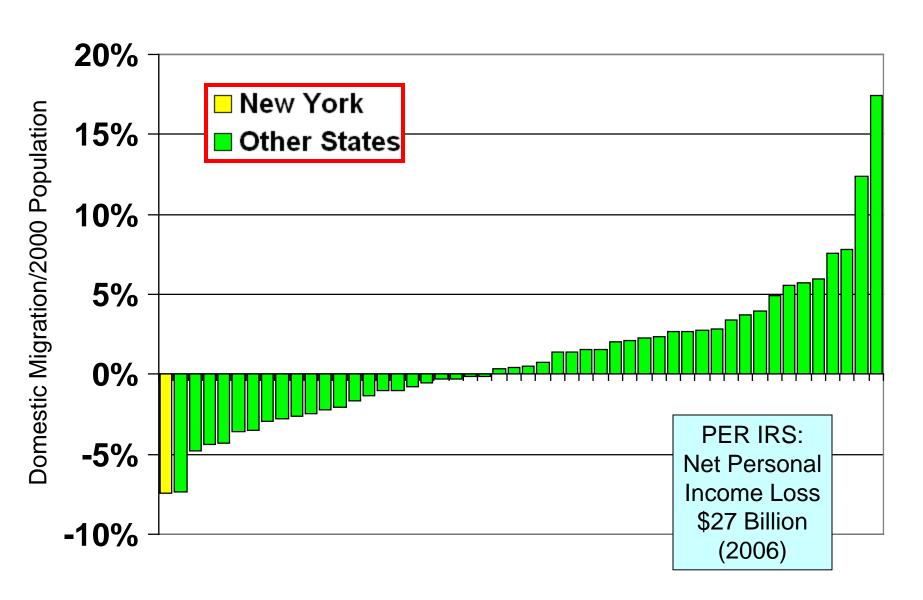
High property taxes are local government's fault

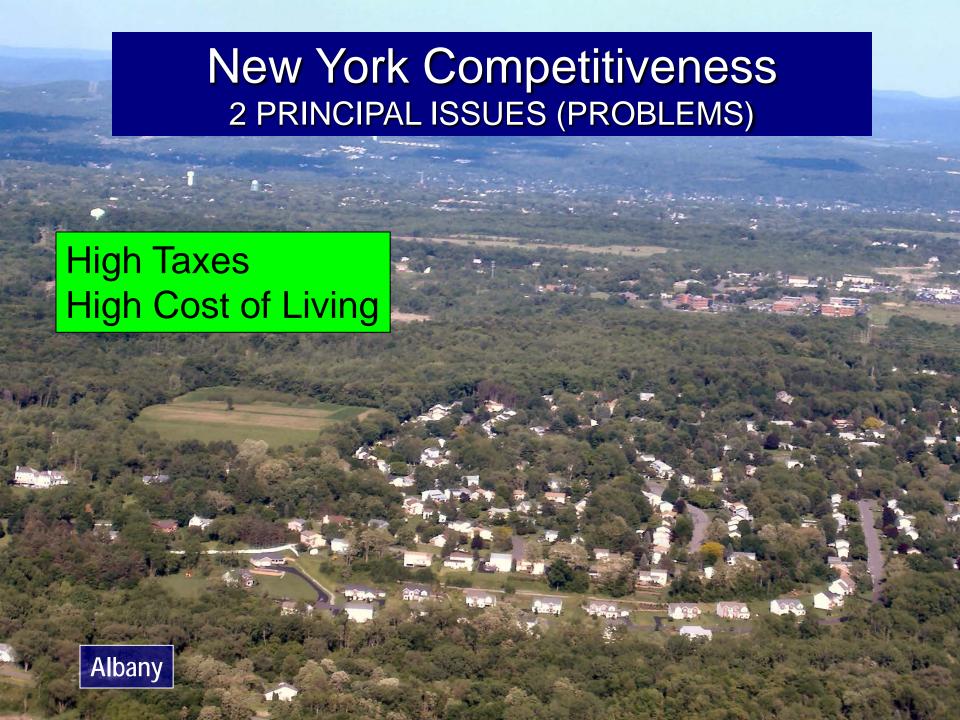
Larger governments encourage greater economic growth

Smart growth & regional planning improve competitiveness

Domestic Migration Losses: New York

EXCEEDS KATRINA HIT LOUISIANA: 2000-2007









Toronto's Costly Consolidation HIGHER COSTS, PROMISED SAVINGS NOT ACHIEVED

Enough a K

An Action Plan for the Toronto Region

Toronto City Summit Alliance

... 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

April, 2003

Toronto's Costly Consolidation

"HIGHEST AND WORST"

Enough a K

An Action Plan for the Toronto Region

Toronto City Summit Alliance

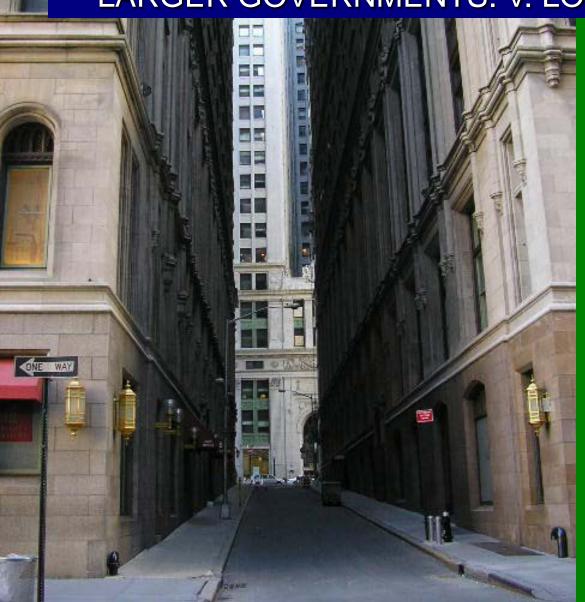
April, 2003

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



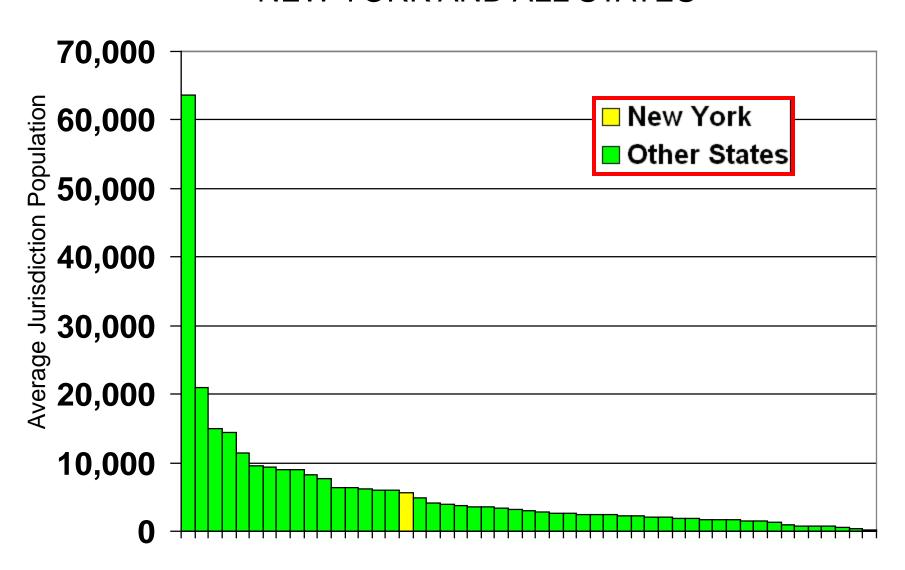
IMPACTS OF CONSOLIDATION

Loss of local democracy

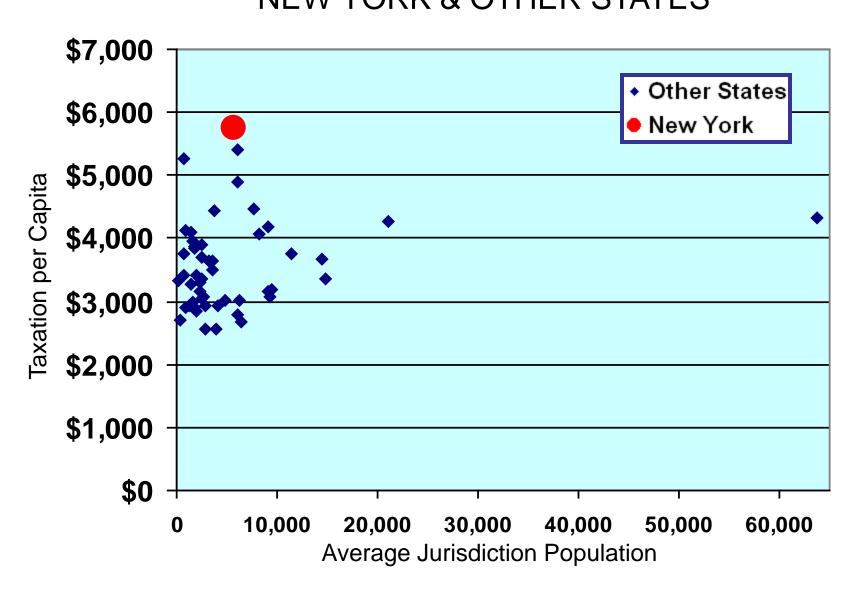
Voter control is diluted

Economies of scale for special interests

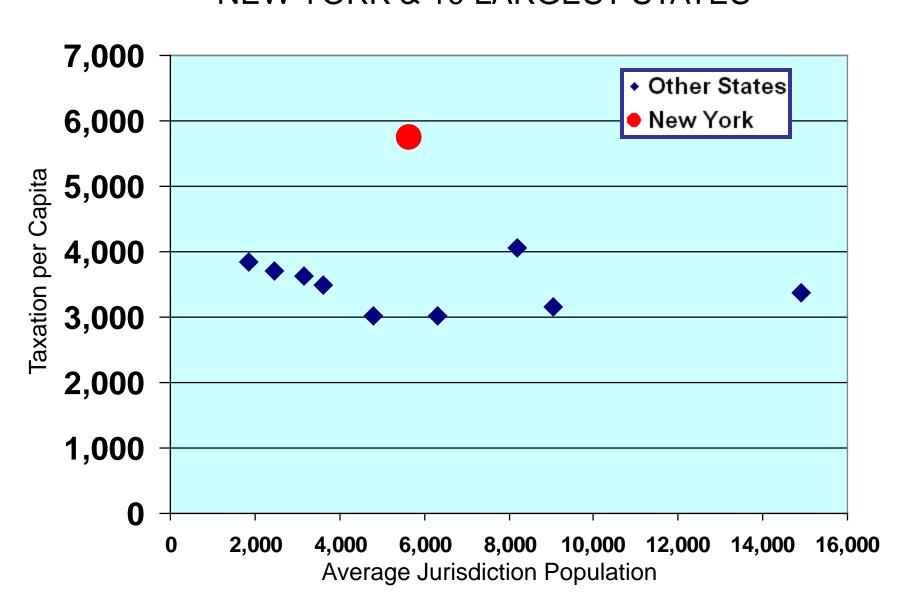
Average Local Jurisdiction Population NEW YORK AND ALL STATES



Per Capita Taxation & Jurisdiction Size NEW YORK & OTHER STATES

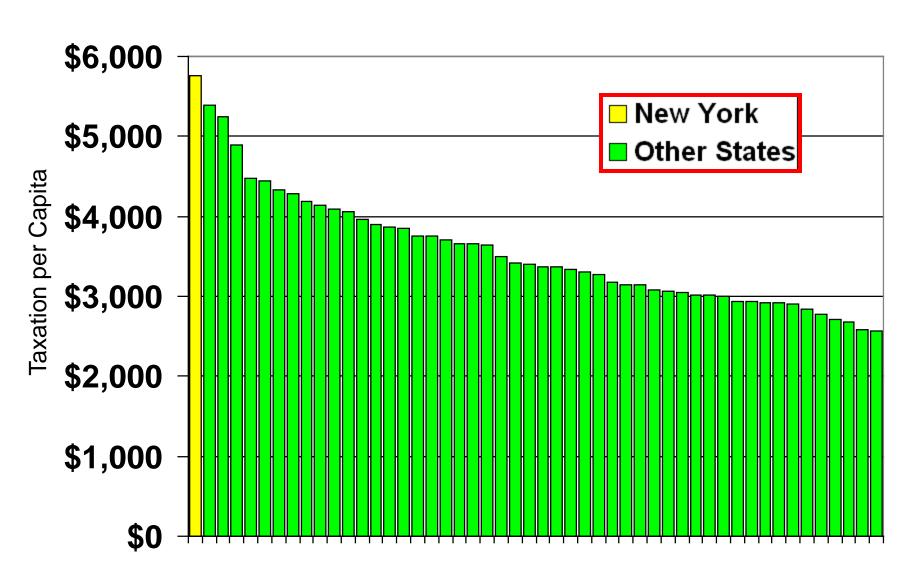


Per Capita Taxation & Jurisdiction Size NEW YORK & 10 LARGEST STATES

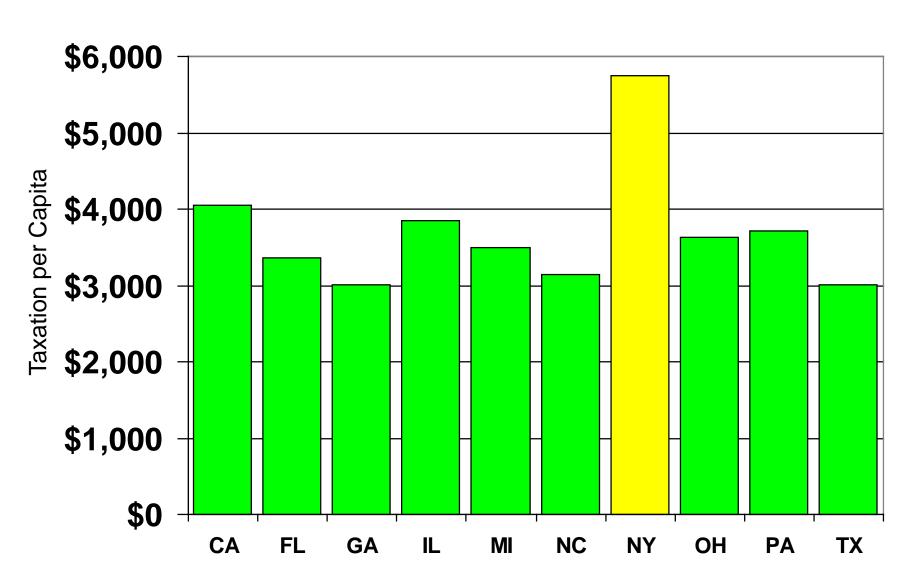




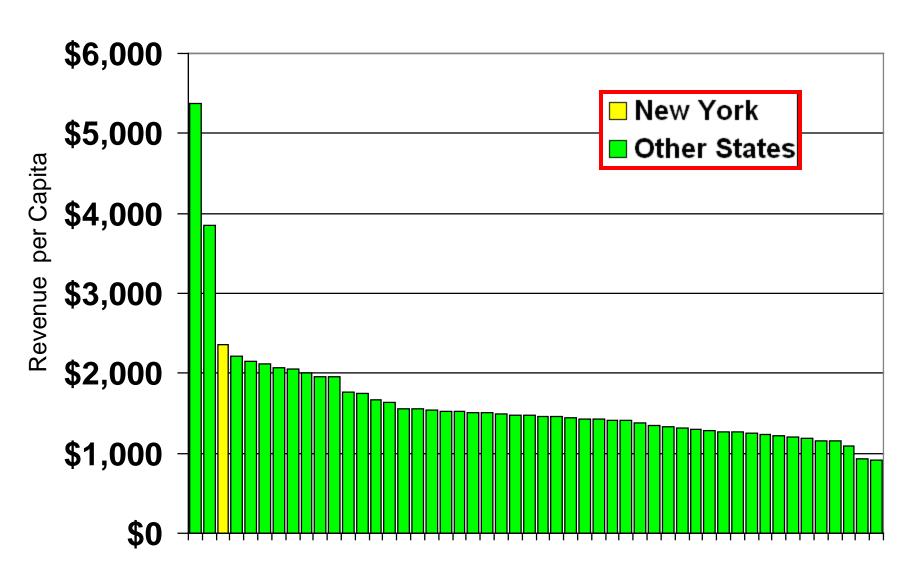
NY: Highest State & Local Taxes NEW YORK & OTHER STATES



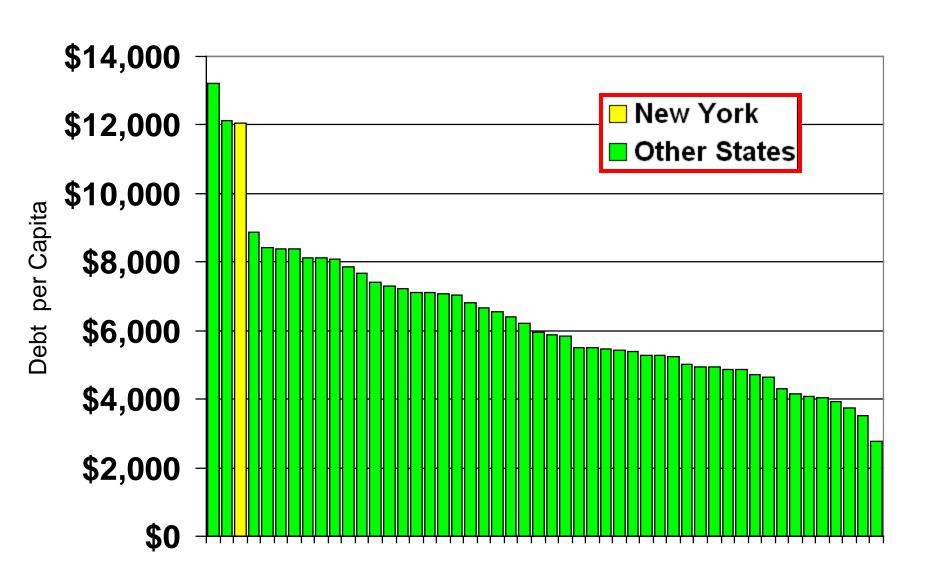
NY: Higher Taxes NEW YORK &10 LARGEST STATES



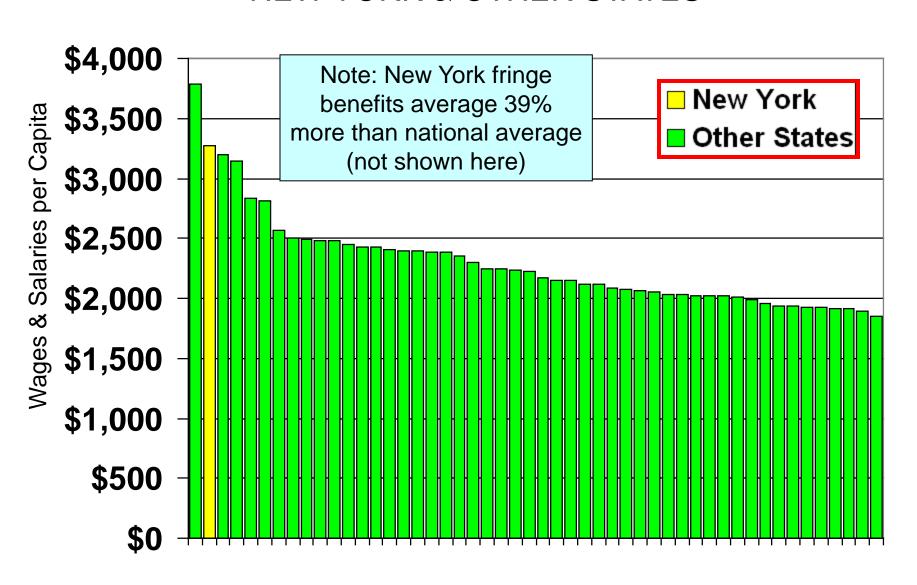
NY: High Federal Revenue per Capita



NY: High State & Local Debt per Capita NEW YORK & OTHER STATES

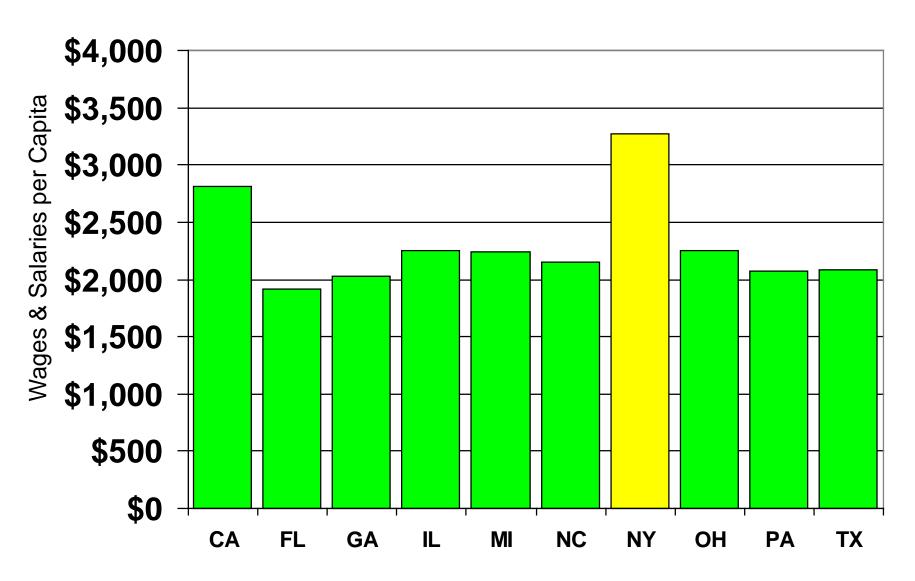


NY: High Wages & Salaries per Capita NEW YORK & OTHER STATES

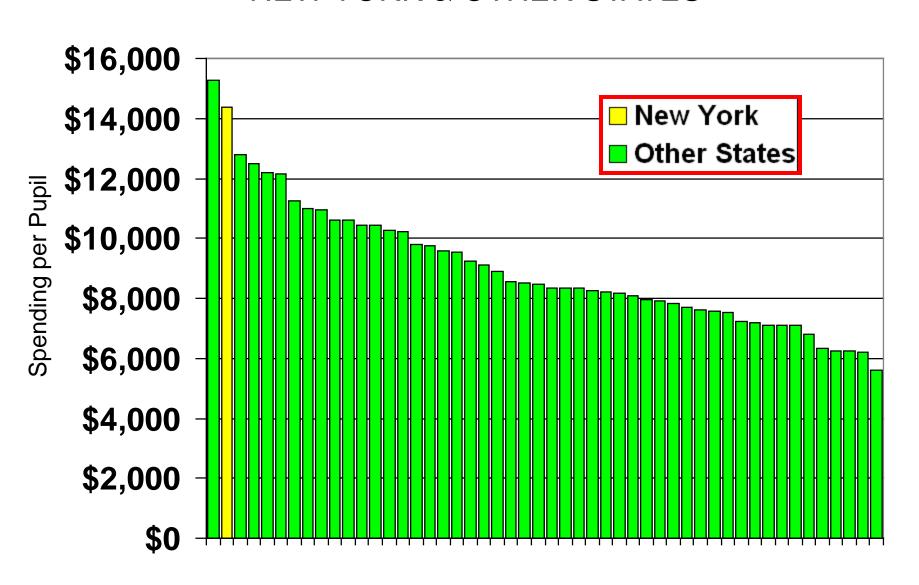


Government Wages & Salaries

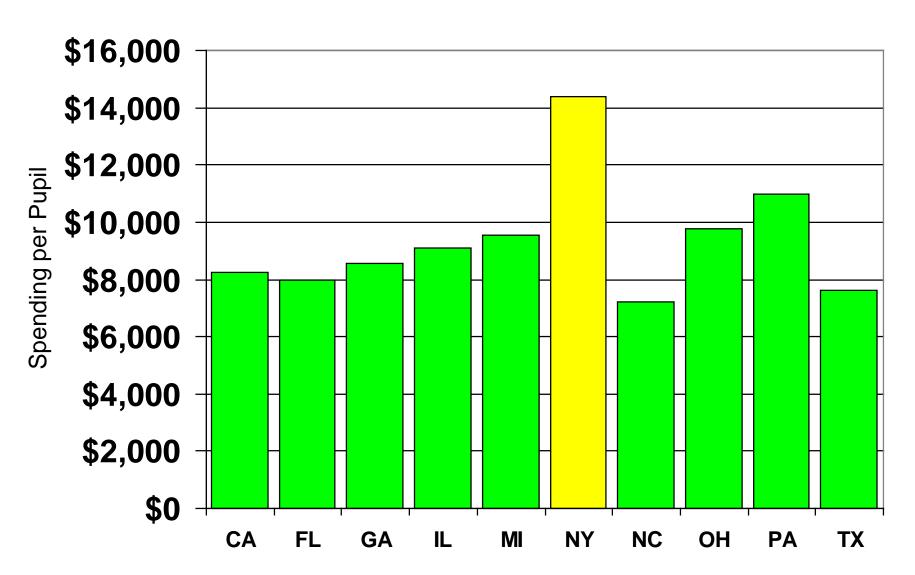
10 LARGEST STATES



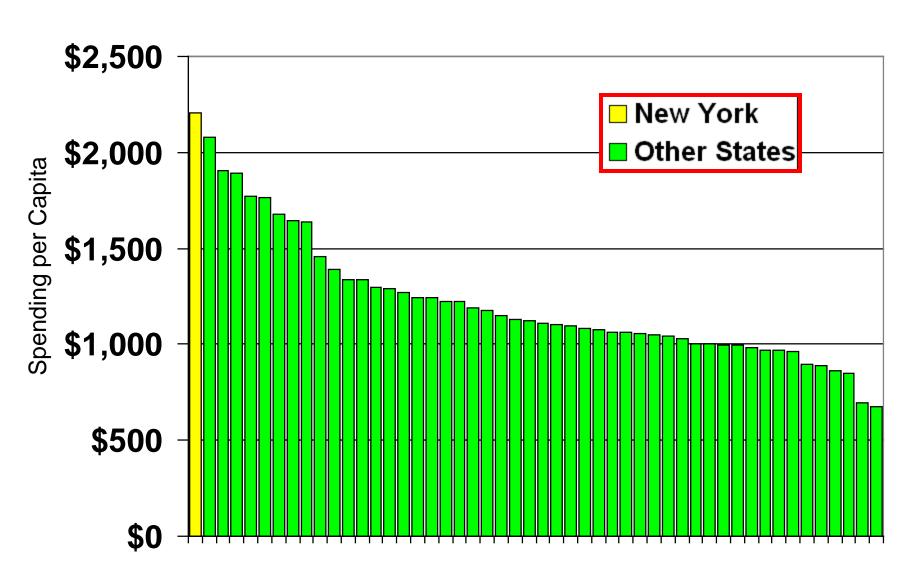
NY: High Education Expenditures NEW YORK & OTHER STATES



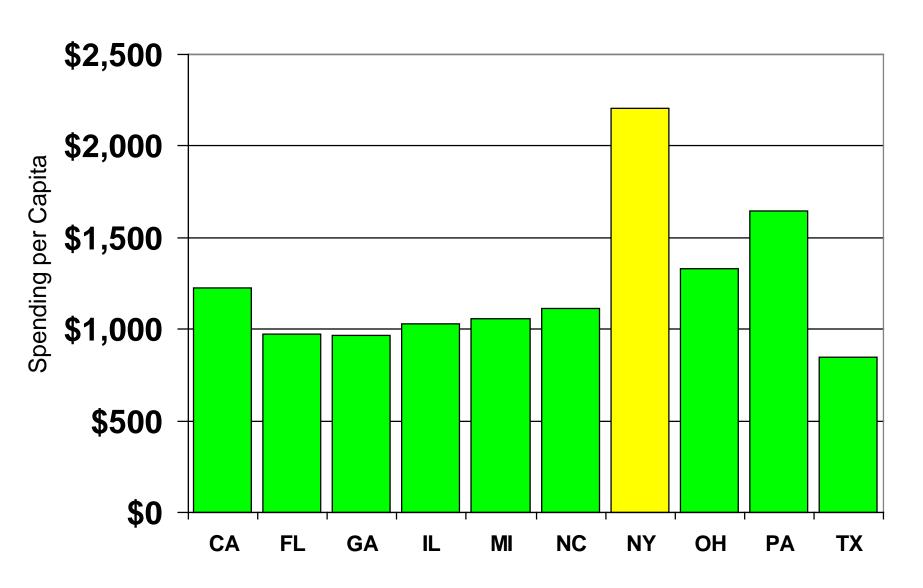
NY: High Education Expenditures NEW YORK & 10 LARGEST STATES



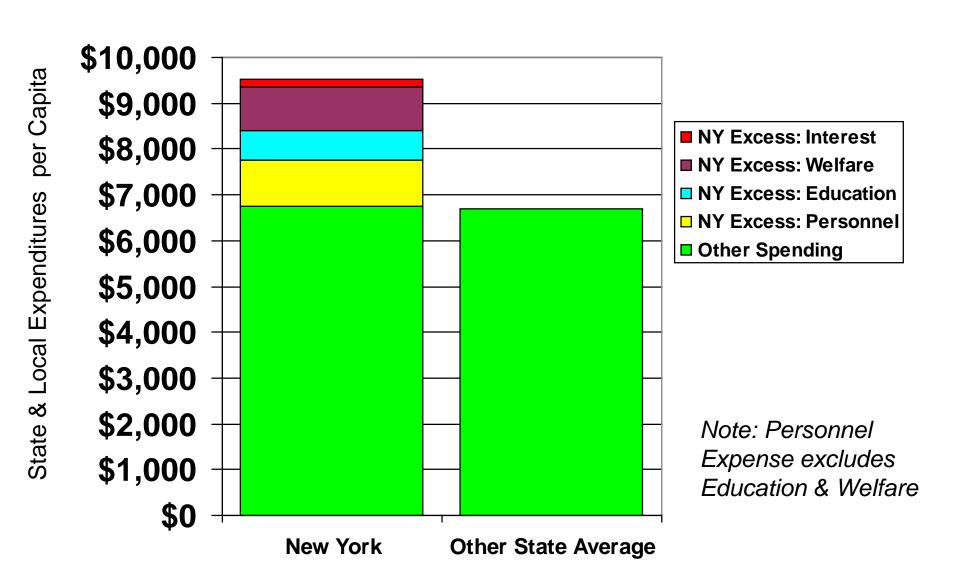
NY: High Public Welfare Spending NEW YORK & OTHER STATES



NY: High Public Welfare Spending NEW YORK & 10 LARGEST STATES



Reconciling New York's Spending COMPARED TO AVERGE OF OTHER STATES





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)

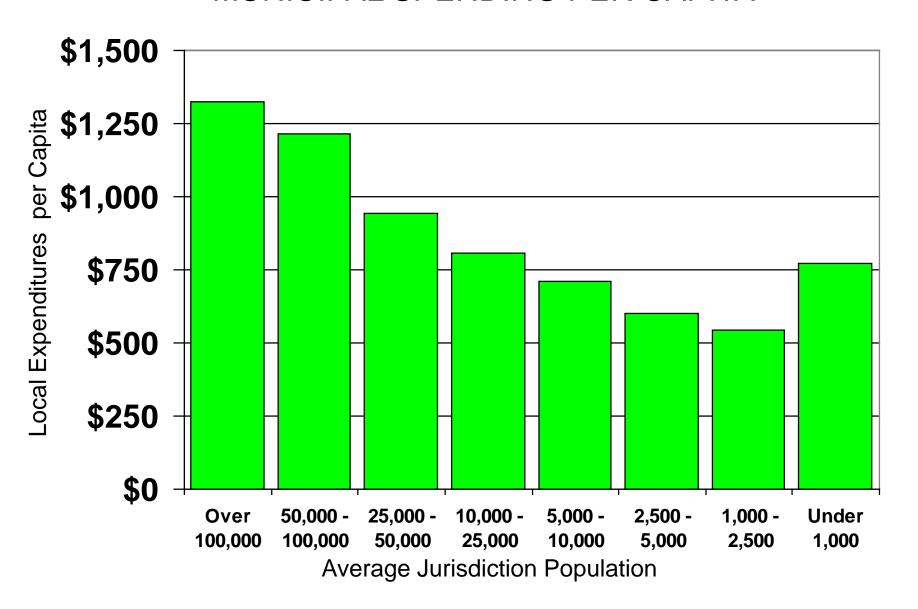
SERVICES INCLUDED

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

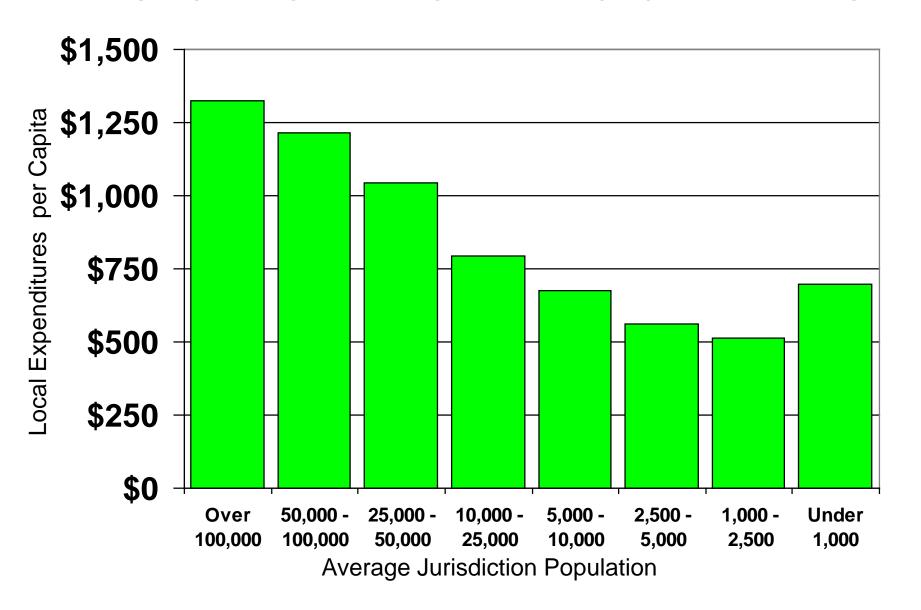
(More than 90% of non-utility spending)

Per capita spending: 2005
All fully reporting governments
Analyzed by average jurisdiction size

Spending Lower in Smaller Jurisdictions MUNICIPAL SPENDING PER CAPITA

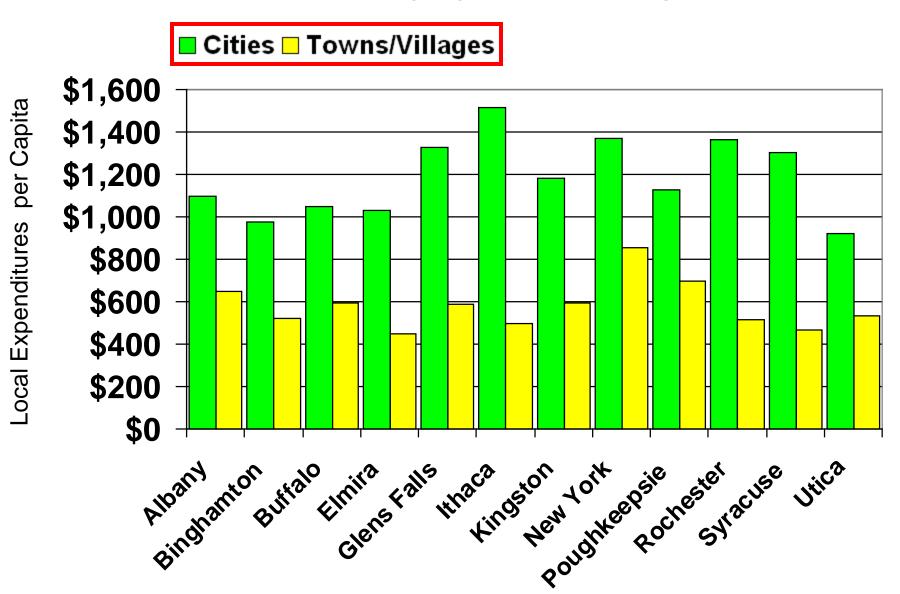


Spending Lower in Smaller Jurisdictions MUNICIPAL SPENDING IN METROPOLITAN AREAS

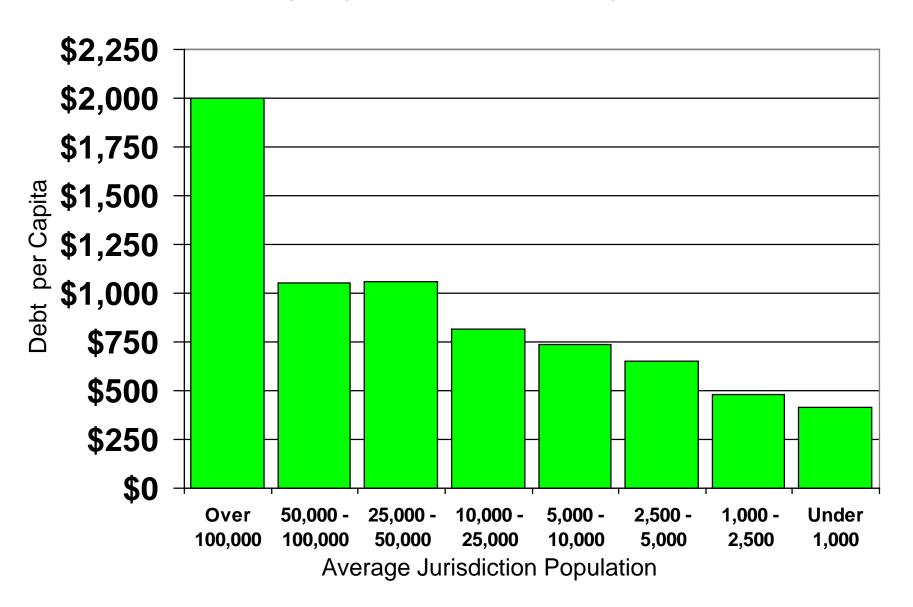


Town/Village/Fire Spending Lower

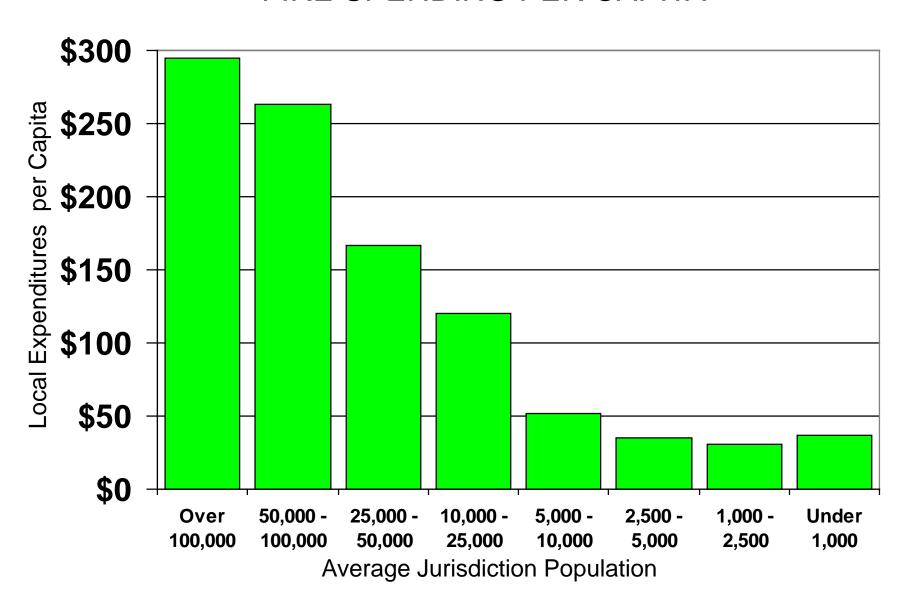
IN ALL METROPOLITAN AREAS



Debt Lower in Smaller Jurisdictions MUNICIPAL DEBT PER CAPITA

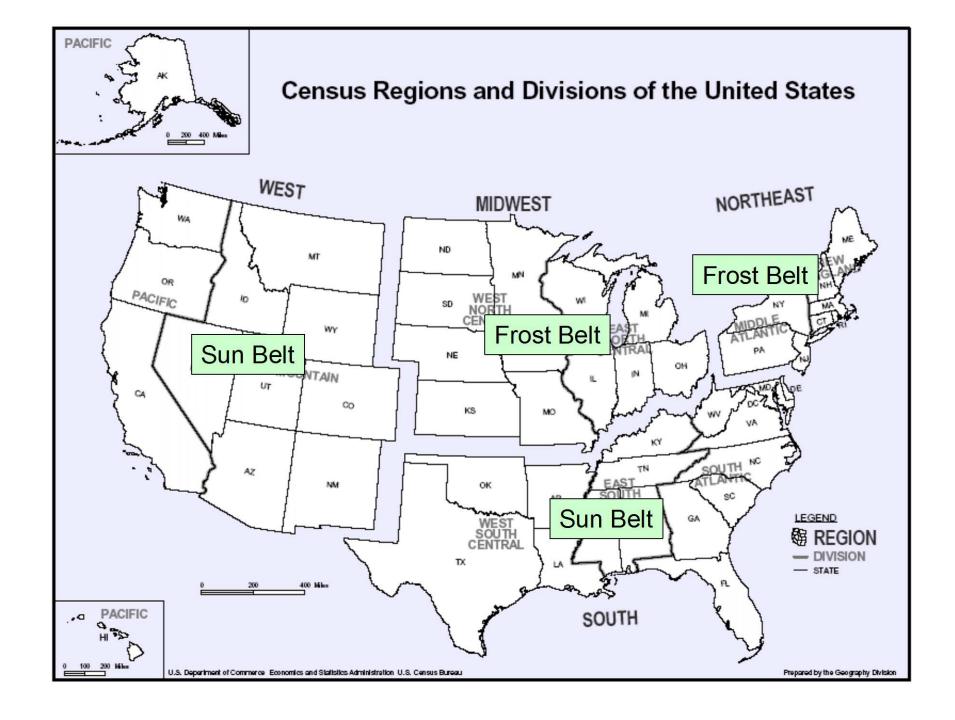


Spending Lower in Smaller Jurisdictions FIRE SPENDING PER CAPITA

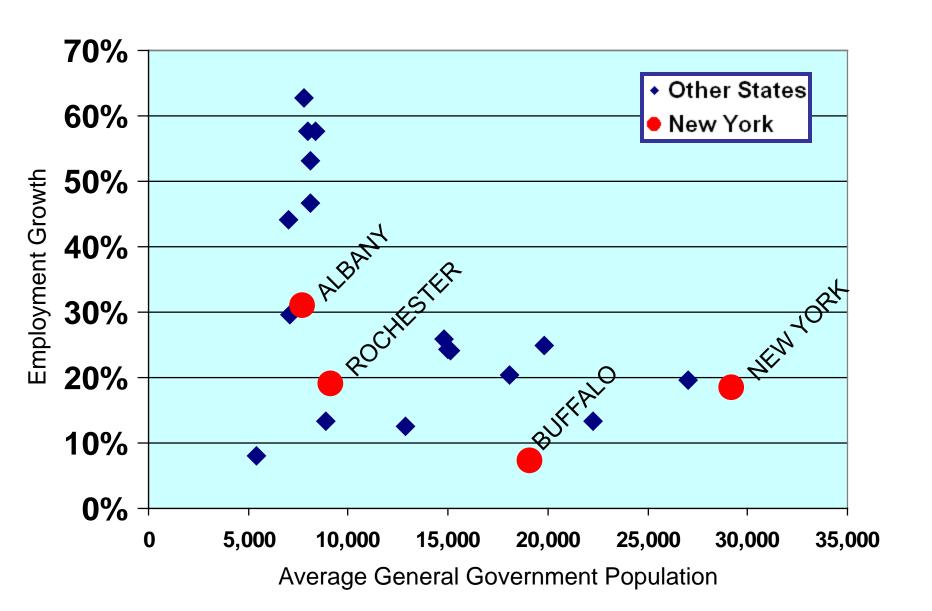


Smaller Units of Govt. More Efficient SUMMARY OF FINDINGS

	Average Jurisdiction Population							
Factor	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
Expenditures per Capita	\$1,323	\$1,213	\$944	\$806	\$709	\$602	\$545	\$773
Expenditures per Capita: Metropolitan Areas	\$1,323	\$1,213	\$1,044	\$794	\$677	\$562	\$514	\$697
Debt per Capita	\$2,001	\$1,054	\$1,060	\$815	\$736	\$652	\$483	\$416
Fire Expenditures per Capita	\$295	\$263	\$167	\$120	\$52	\$35	\$31	\$37

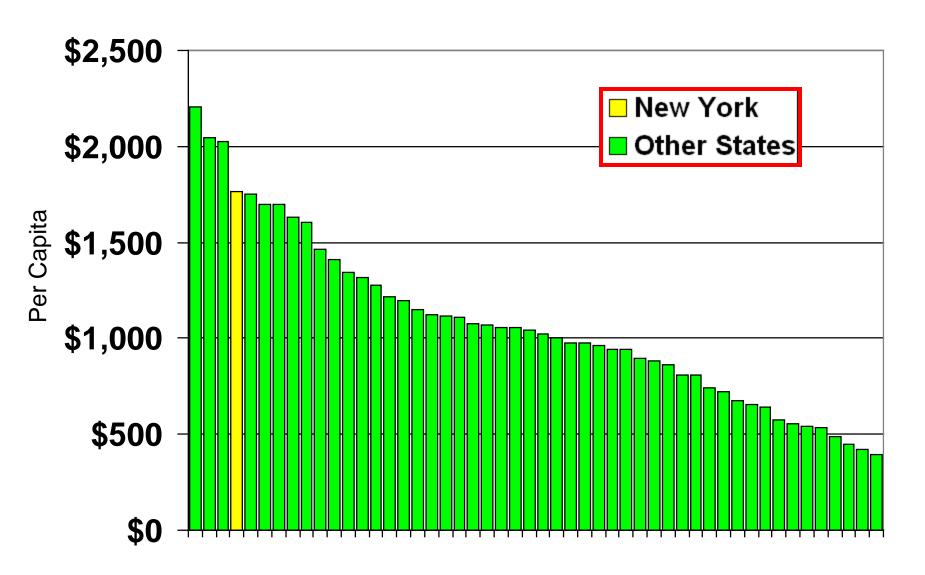


Employment Growth & Jurisdiction Size FROST BELT METROPOLITAN AREAS

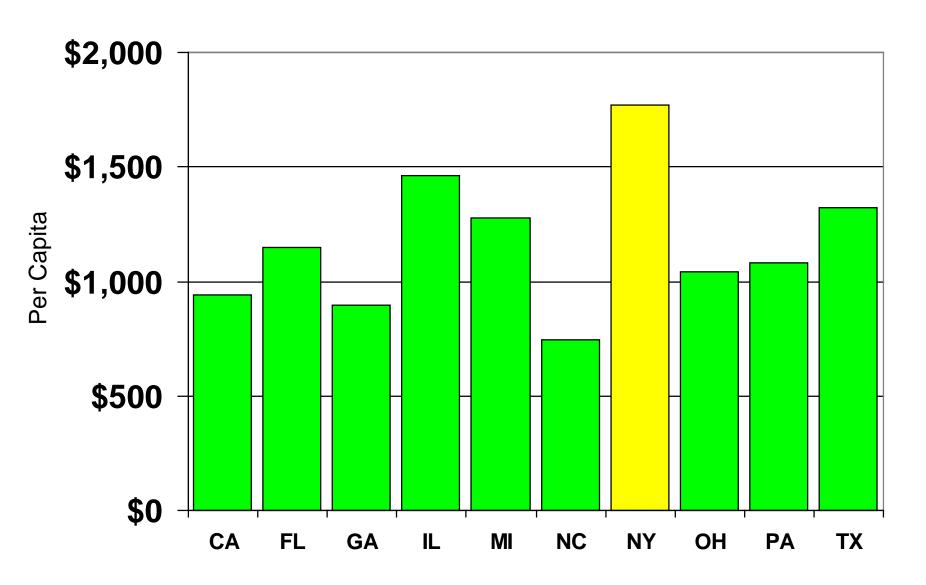




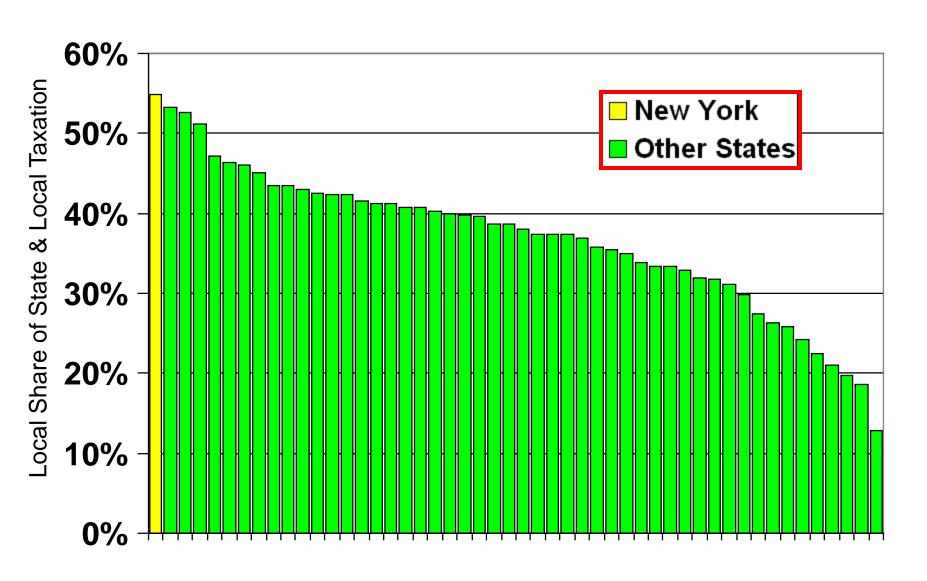
NY: High Property Taxes NEW YORK & OTHER STATES



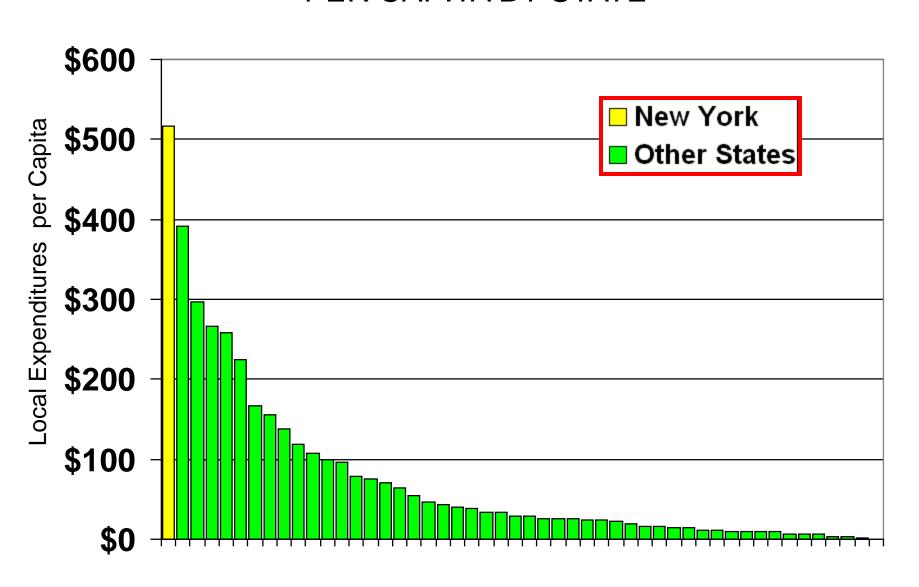
NY: High Property Taxes NEW YORK & 10 LARGEST STATES



New York: Relies Most on Local Govt. LOCAL SHARE OF STATE & LOCAL TAXATION

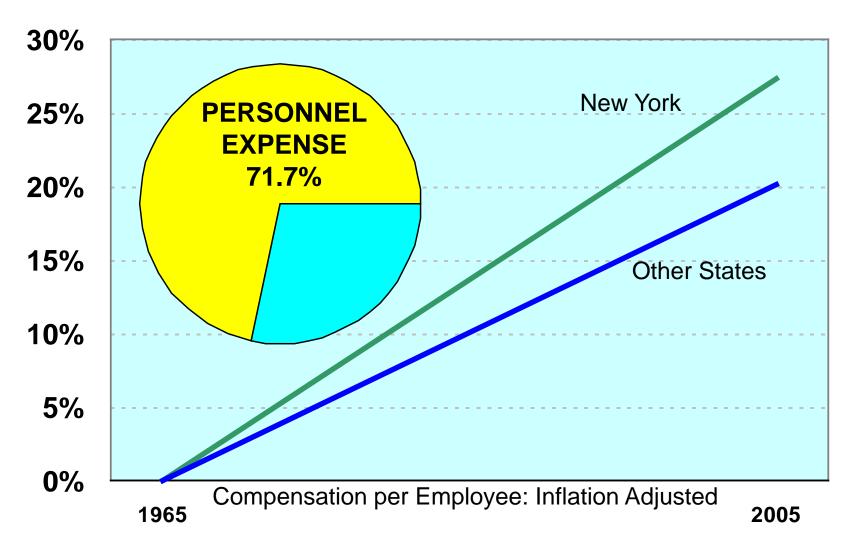


NY: High Local Public Welfare Spending PER CAPITA BY STATE

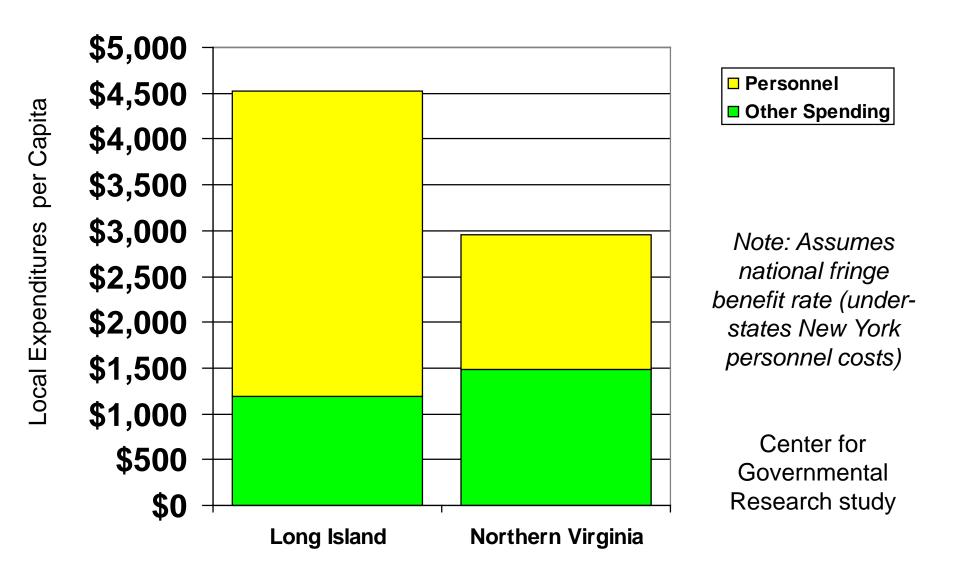


Government Employee Compensation

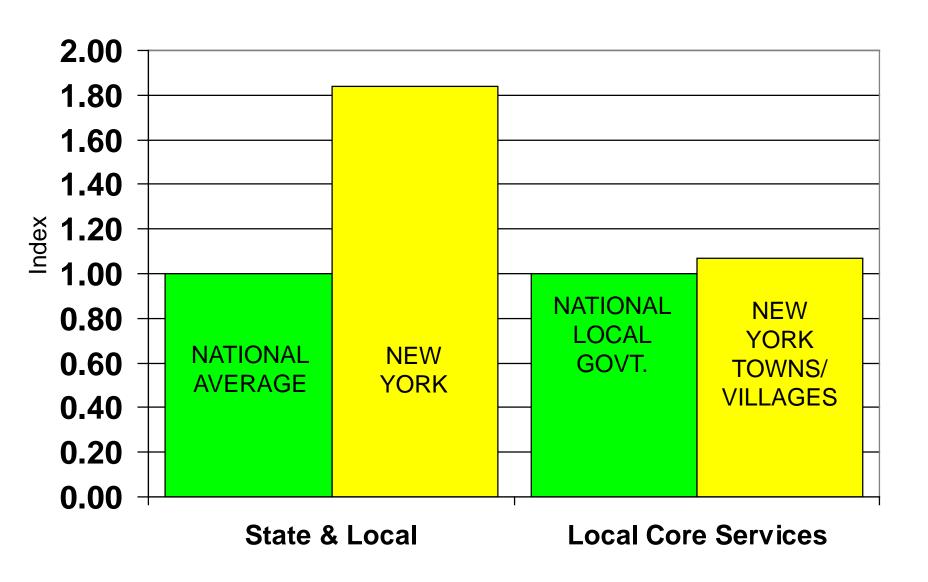
NEW YORK & OTHER STATES: CHANGE 1965-2005



Long Island & Northern Virginia Study THE DIFFERENCE IS PERSONNEL



Expenditures per Capita in Context TOWNS/VILLAGES & NY STATE & LOCAL



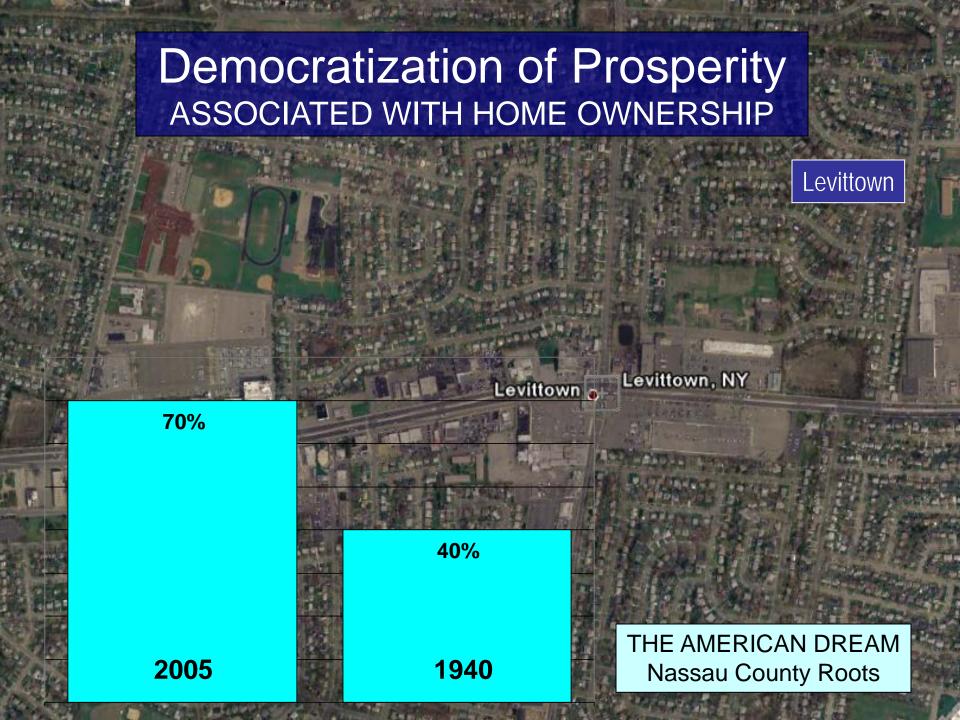
Prospects: Proposed Consolidations BUFFALO – SYRACUSE - BINGHAMTON

 "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 & Housing Affordability TYPICAL CONTEXT: REGIONAL PLANNING

	Strategy	Potential to Increase Housing Prices
1	Regional Urban Growth Boundaries	YES
2	Local Urban Growth Boundaries	YES
3	Regional Urban Service Districts	YES
4	Local Urban Service Districts	YES
5	Large-Lot Zoning in Rural Areas	YES
6	High Development Fees & Exactions	YES
7	Restrictions on Physically Developable Land	YES
8	State Aid Contingent on Local Growth Zones	
9	Transferable Development Rights	
10	Adequacy of Facilities Requirements	
From Table 15.4, "Costs of Sprawl2000"		
Potential to Increase Housing Prices from "Costs of Sprawl2000"		

Paul Krugman: New York Times THE "ZONED ZONE"

Aug. 8, 2005, 6:53PM

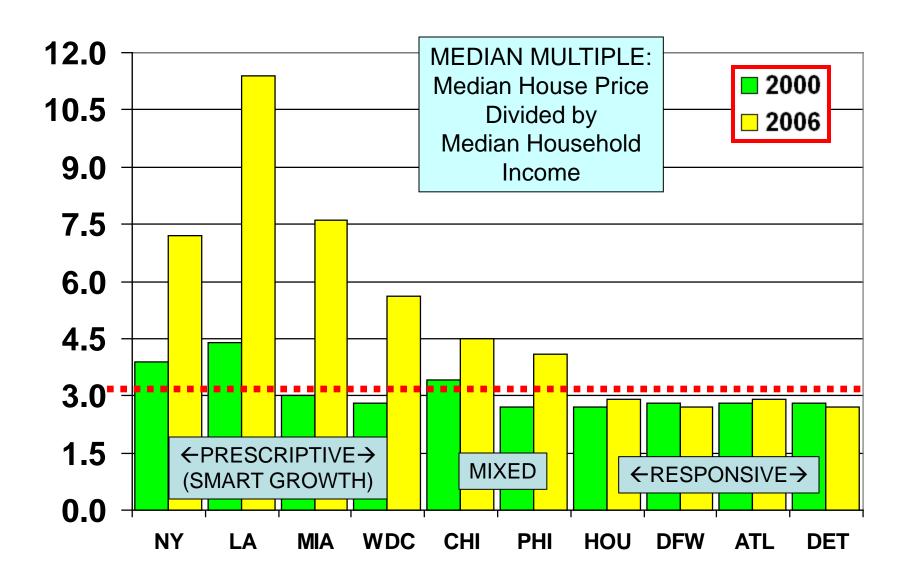
About that hissing sound in the Zoned Zones ...

In Flatland, which occupies the middle of the country, it's easy to build houses. When the demand for houses rises, Flatland metropolican 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

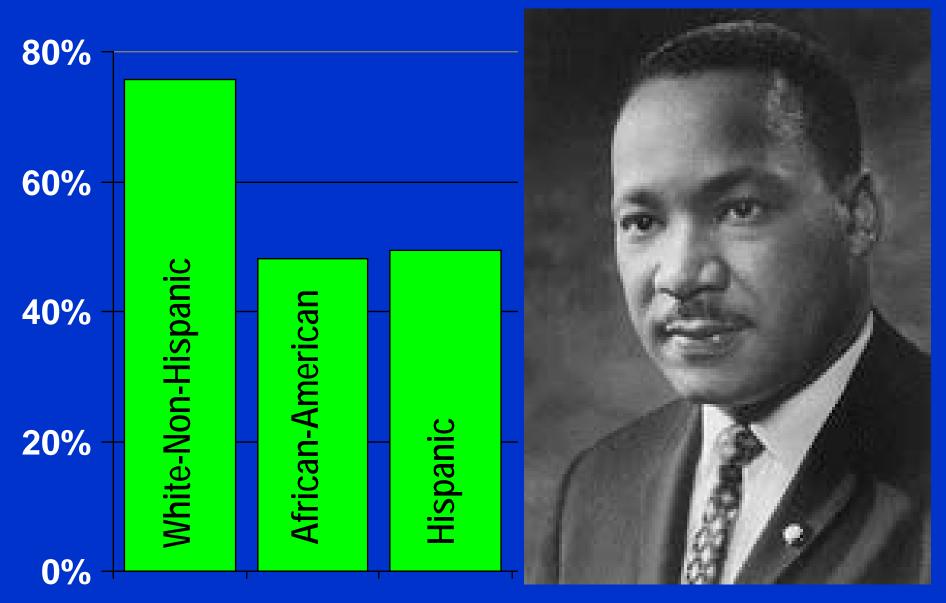
But in the Zoned Zone, which lies along the coasts, a combination of high population density and land-use restrictions — bence "zoned" — makes it hard to build new houses. So when people become willing to spend more on houses, say because of a fall in mortgage rates, some houses get built, but the prices 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

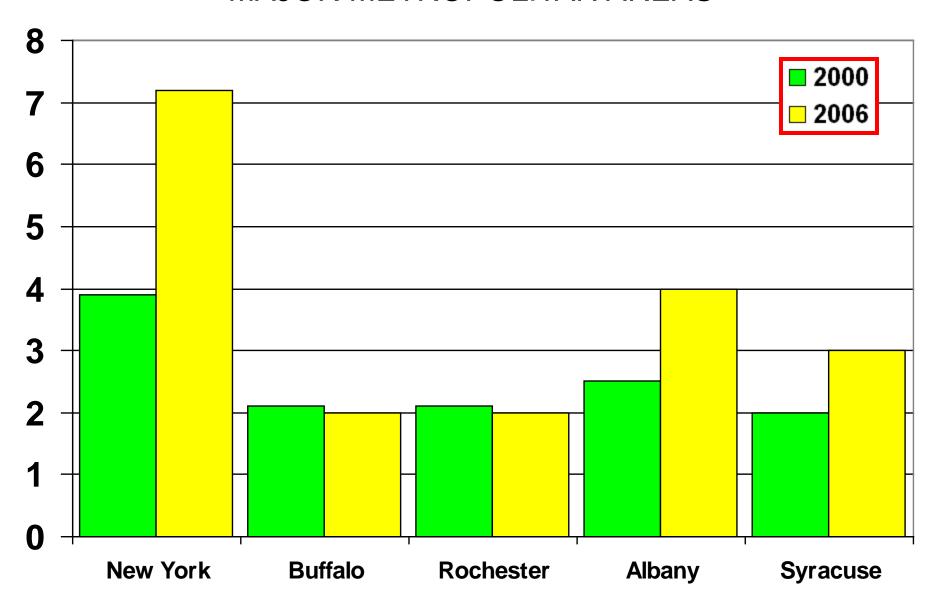
10 LARGEST US MARKETS: 2000 & 2006



Home Ownership by Ethnicity: 2005 LARGE GAP: 45 YEARS AFTER MLK "I HAVE A DREAM"

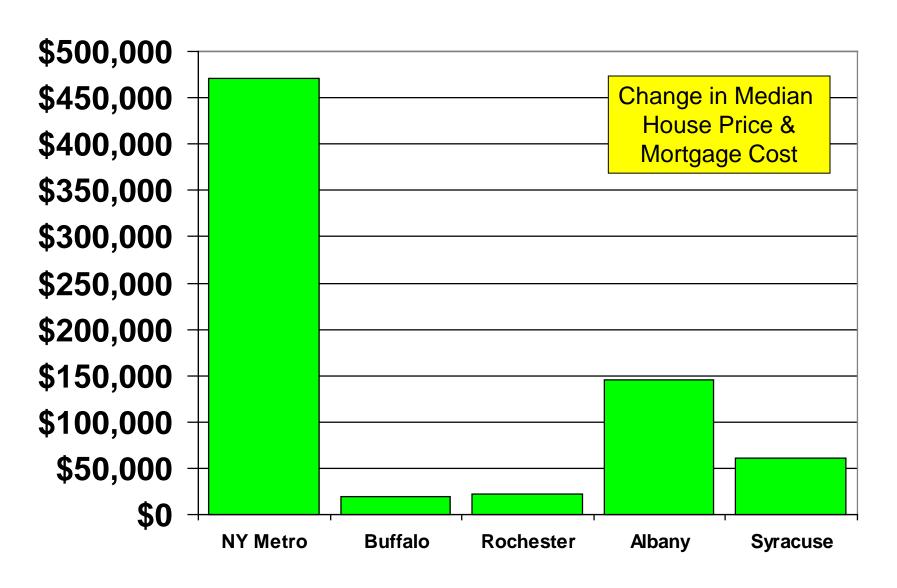


Median Multiple: New York MAJOR METROPOLITAN AREAS

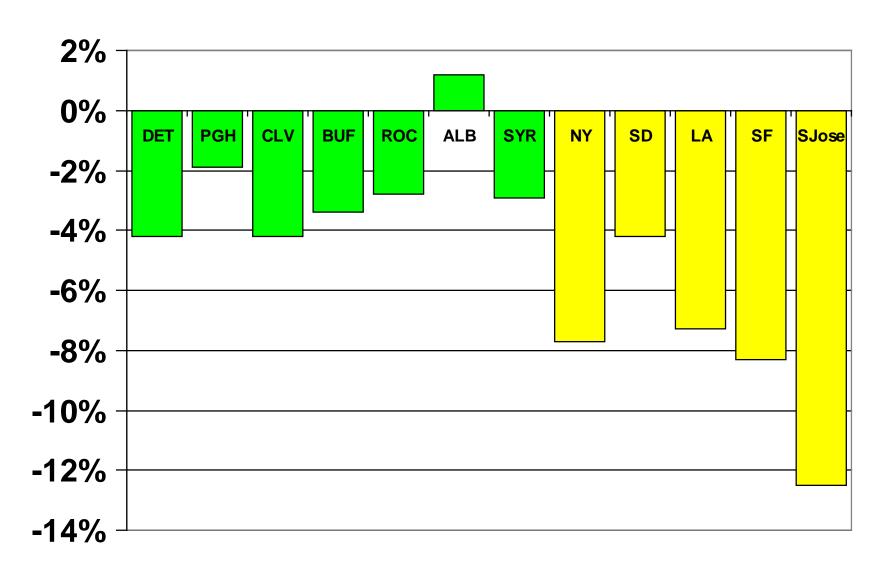


House Cost & Financing Trend

MAJOR NEW YORK MARKETS: 2000-2006



Net Domestic Migration: 2000-2006 RUST BELT & POST-WAR COMPETITIVE AREAS





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.