

November 1, 2004

To Bradford Kendall, Chairman Dutchess County Legislature; Members of the Dutchess County Legislature; and Residents of Dutchess County

Johnny is one of three brothers from a dysfunctional home environment. His father was incarcerated and the oldest boy had sexually abused Johnny and his younger brother. At age nine following a psychiatric hospitalization, Johnny entered a local residential facility as a neglect placement. His younger brother was also placed.

The two boys were both violent toward peers, facility staff and school personnel. Eventually the youngest assaulted a teacher and was remanded to the NYS Office of Children and Family Services for secure placement. When Johnny was 12, the facility received allegations he was sexually active, with inappropriate behaviors toward younger and same age peers. Counseling was provided but Johnny continued to be inappropriate and disruptive in treatment, so he was referred for intensive treatment for sex offenders.

After several facilities turned him down primarily because of his disruptive and violent behavior, Johnny was finally placed at an intensive sexual offender program upstate. Within 90 days, the facility demanded he be removed due to aggressive sexual advances made to a female staff member. Criminal charges were filed and Johnny, now 16, spent time in the local jail and was placed on a year's probation. A facility was located in a nearby state that was willing to accept Johnny for necessary treatment.

During his stay at the out-of-state facility, Johnny required significant levels of psychotropic medications to keep him and others safe. After the first year, he began to be less disruptive and eventually became involved in treatment and academic programming. Throughout this period his mother kept in touch by phone but due to health problems did not visit him. At 17, Johnny was allowed to begin home visits to his mother.

At the same time, Johnny became more involved in the educational program at the facility, and remained there past his 18th birthday to finish school. Johnny then signed himself out of foster care and began living with his mother, who has assisted him in becoming involved in outpatient treatment to continue the progress that he had made.

Johnny's Institutional Foster Care Expenses:	\$825,456
<u>Johnny's Medicaid</u>	<u>\$197,573</u>
TOTAL	\$1,023,030

Just since 2000, the *Institutional Care for Children* and the *Juvenile Detention* mandated expenditures, both of which were funds accessed for Johnny's case, have increased a shocking \$8.3 million dollars, or more than 107%, from \$7.8 million to a projected \$16.1 million dollars in 2005!

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A key factor in "welfare" (now Temporary Assistance for Needy Families - TANF) reform from the county's perspective comes in the category of the five-year limit for benefits. Once this time limit for TANF benefits is exceeded, the federal government will no longer reimburse state governments for such cases. New York mandates some level of benefits to continue so these cases fall into what is termed a 'safety net'. The state determined what used to be a 50% federal, 25% state and 25% county cost formula is now 50% state cost and therefore mandated a 50% county cost. What does that mean to Dutchess County?

Take the case of Ms. G, a single mother with three children, on TANF in Ulster County for more than 4 years. Just before the five-year limit, she moved to Dutchess. Unemployed, she received \$1,039 per month in assistance. She and her family were placed in temporary living quarters until DSS was able to locate permanent housing for her, providing her with \$1,500 rent and security.

Ms. G. also had obtained her GED and Certified Nursing Assistant (CNA) credentialing while on TANF. In 2004 she married Mr. F. With more support for her family she became employable and obtained a part-time job as a CNA. With the additional income, her monthly assistance benefit dropped to \$608 per month. She also began attending community college.

However, the main barrier in obtaining and retaining full-time employment for both Mr. and Mrs. F was lack of reliable transportation. Mrs. F. eventually had to leave her nursing assistant job for this reason.

But through the "Community Solution to Transportation" program, a used car was purchased for the family and the initial car insurance installment was covered. Mr. F. was then referred to a local grocery store where he is now gainfully employed in a full time position. Mrs. F. is now working as a private duty nurse locally. The family is no longer dependent on government assistance.

Mr. And Mrs. F. each have long-term goals to remain self-sufficient and are getting training and education to obtain better paying jobs.

Total safety net cost: \$35,239

As of September 30, 2004 the Dutchess County Social Services was working on 530 safety net cases, or 723 individuals. Cases like these make up a total appropriation in the 2005 budget of \$5.7 million dollars.

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These are just two examples of how tax dollars are spent everyday. The 2005 Tentative Budget before you is being driven by the same Albany-imposed mandates outlined in the preceding case studies, the same mandates driving county budgets across New York State: Medicaid, child institution costs and other human service programs. Medicaid is the health insurance program for the needy and for many elderly in nursing home care. It is an investment in children, people with disabilities, protects the mentally ill, and provides preventive care for healthy adults and children who are eligible. While few would argue these are all worthwhile programs, counties should not be forced to bear the financial burden for the mandates authored in Albany. New York State bills 25% of its costs for Medicaid to local county taxpayers. Only one other state government in the nation – North Carolina – requires local taxpayers to fund the full range of Medicaid services and their contribution is much lower than New York.

Medicaid is a state program and in New York State it has been referred to as the 'Cadillac' of public health care programs. Since 2000, our state Senators and Assembly members have voted more than seven times to expand and enhance the Medicaid mandates despite the efforts of County leaders to educate them on how out-of-control mandates are strangling county budgets statewide. But there are also other reform measures the state can take to tighten the eligibility loopholes as outlined below.

Mr. and Mrs. C are married with no children. They live off the husband's trust fund of over \$1 million dollars. They had health insurance at one time but dropped it, as it was too costly. Unfortunately, Mrs. C became ill and was hospitalized extensively. Mr. C refused to support his wife. Medicaid law requires the County to open the case so Mrs. C could receive medical care. Dutchess County DSS must now petition Mr. C in court for the support of his wife, spending more time and more tax payer dollars. The court case is pending.

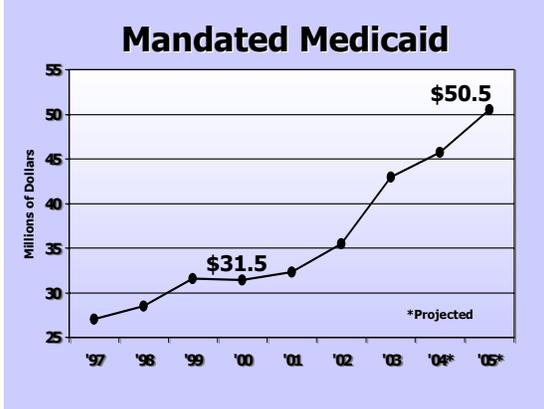
County's total cost for care to date of millionaire Mr. C's wife: \$460,792

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The Y family has over \$3 million in resources and a home worth over \$1 million. The family's income is approximately \$700,000 annually. A child in the Y family needed long-term placement in a hospital setting. Their health insurance had "maxed out" and bills were now between \$300,000 and \$400,000. Because the Y child was out of his parents' home for over 30 days in the hospital, his parents' income/assets could not be counted so in this case the bills are now covered by

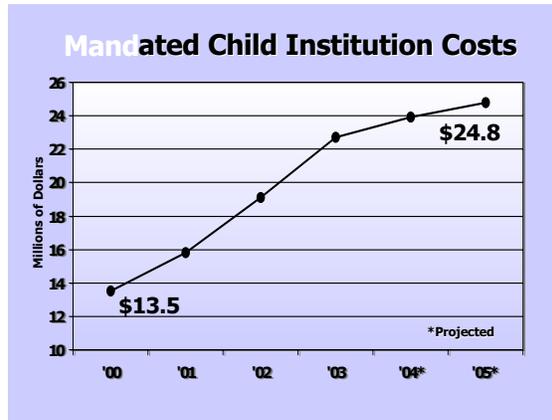
Dutchess County taxpayers through the mandated Medicaid costs the State requires counties to fund.

Once again, Medicaid is projected to increase another 10.5% in 2005 from the 2004 projected amount. This brings the total 5-year mandated increase in the County share of Medicaid spending to \$19 million. In another 5 years, if reform is



not enacted, Dutchess County's Medicaid costs will likely reach \$70 million. To put this in perspective, county government will be forced to spend \$138,000 per day for this one Albany-imposed program. Mandated Medicaid costs represent \$.75 of every \$1 of property taxes to be paid by our local homeowners and business property owners. In terms of gross county spending, the \$50.5 million budgeted for Medicaid in 2005

represents 14% of all county spending and dwarfs all other county programs and services. Due to our state legislators and their votes expanding eligibility and programs, an increasing number of county residents are currently receiving Medicaid. This number is projected to increase to 19,500 from the 17,390 currently enrolled. The graph to the left demonstrates the skyrocketing increases in the county's cost of the Albany-imposed Medicaid program since 1999. Additionally our mandated child institution costs have jumped \$4.7 million over just the last two years and are projected to increase another \$920,000 in 2005. The spiraling growth in state mandates threatens the financial survival of all county government services. For example, Oneida County has proposed raising its sales tax to an unthinkable 9.75% - the highest in New York State and one of the highest in the nation. Erie County has proposed an equally incredible 9.25% sales tax and may close up to 50 library branches. Albany County has proposed a shocking 28.6% property tax increase with 21 layoffs. Montgomery County's proposed budget calls for 80 layoffs including terminating 19 deputy sheriffs. Because of the fiscal pressure created by these unfunded mandates, I am forced to propose a dedicated funding stream in the Department of Social Services through a *Mandate Mortgage Tax* to offset the enormous costs for Medicaid and other under-funded Albany-imposed mandates. Our analysis indicates eight counties have already adopted this tax and five more are considering it for 2005. None of these counties wanted to increase taxes; they simply did not have a choice.

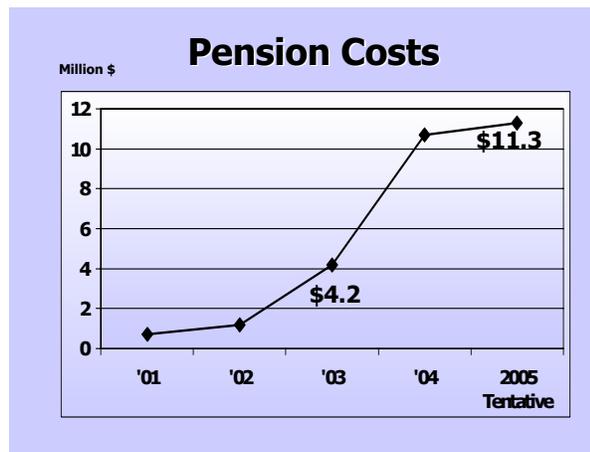


Currently 1% is charged as part of the closing costs of a mortgage transaction, with .50% collected on behalf of municipalities, .25% on behalf of the MTA, and .25% on behalf of the State/MTA depending on the type of property. The additional .25% charged would be held at the County and dedicated to pay for New York State under funded mandates. The mortgage tax revenue is included to offer the Legislature an option to avoid a further larger increase in property taxes. Frankly, I offer the Legislature this option with personal disdain for the idea and resentment that we along with county officials across all New York State, are forced by State legislators to consider such onerous taxes to fund the State mandates forced on County governments—all so we can pay Albany’s bills. The County mortgage tax option to pay for social services mandates is perhaps the most distasteful budget item in my thirteen years as County Executive, and is contrary to everything I believe in. Rest assured if it were not for Albany’s disregard for the fiscal situation of counties and our property taxpayers, I would be the loudest voice speaking out against such a tax.

For the 20th consecutive year, the New York State Legislature failed to meet its responsibility and did not develop a budget on time and, once again, did not address the critical need for fiscal restructuring of Medicaid. The refusal by our state delegates to deal head on with the Medicaid issue is suffocating county budgets statewide. While the State Budget provides some relief to county taxpayers through a two-year takeover of the local costs for Family Health Plus, the projected annual “savings” of \$900,000 is minimal in comparison to the 5-year increase of \$19 million and the \$50.5 million total projected cost for 2005. So don’t believe that Albany has reformed Medicaid.

Pension costs to fund our employees’ retirement paychecks, another mandate over which we have no control, have increased an unfathomable \$10 million since 2002 due to a weak stock market impact on the pension fund along with State leaders’ decision to reduce employee contributions as well as benefit enhancements adopted by State legislators.

The 2005 proposed budget appropriates \$11.3 million for a full year of retirement system contributions, and while a funding alternative authorized by the state legislature is available, we do not propose borrowing or amortizing to cover annual pension costs. The General Accounting Standards Board (GASB) has issued a draft technical bulletin addressing the accounting treatment of pension

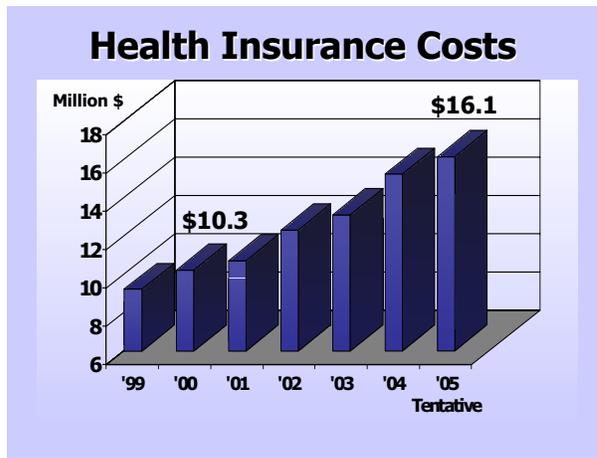


liabilities with a formal bulletin expected by the end of January 2005. Contrary to the Office of the State Comptroller’s view, the GASB bulletin indicates that employers with a calendar fiscal year would need to account for the pension

costs accrued between April 1, 2004 and December 31, 2004 in their 2004 financial statements

Therefore, just like what we heard from Albany about “Medicaid Reform” the pension payment issue is another “reform” that is simply not reality. We see no relief in spite of how this issue has been characterized.

The same increases in gasoline and heating oil being felt by all our residents and business owners are also impacting county finances. We must put gas in our Sheriff’s vehicles, highway trucks and LOOP buses and we must heat our large complex county buildings. The increased gasoline costs for our Mass Transit buses is offset by a proposed minimal increase in bus fares.

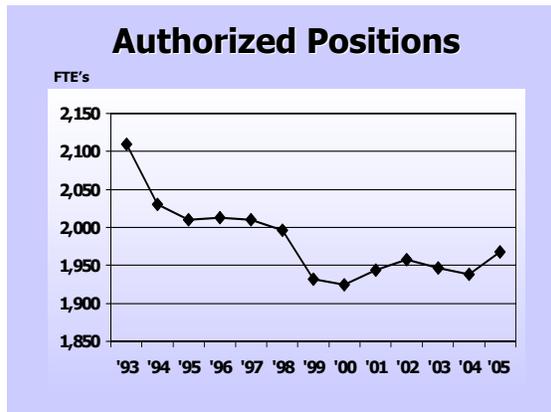


Health insurance costs for county employees and their families have increased \$5.8 million in the last 5 years reflecting the nationwide trend in the insurance industry. A Health Insurance Task Team comprised of county senior management has been working with a consultant to develop recommendations for health insurance which will continue to provide quality health care coverage at a cost as reasonable as possible to the county and our employees and

retirees. Two of our labor unions, CSEA and PBA, will be negotiating for new contracts that could directly impact the cost of health insurance.

Albany mandates have forced the county to tighten our spending over the last few years so much that it has undermined our ability to provide our traditional core services. Over the past two years, we have cut 26 positions, required our departments to submit “doomsday” budgets and slashed departmental budgets to unsustainable levels. As a result, we can no longer ignore the fact we are seriously behind in several high priority programs and service areas which are important to me, and I know are important to county legislators and our county residents.

This budget provides the resources to realign, restructure and reallocate within those targeted areas in county government where there are compelling needs, and **does so with fewer positions today than in 1992 when I took office.** One of my guiding principles has always been - **where should we spend one dollar now to save two dollars tomorrow.**



I am absolutely certain if we do not implement these reforms, the cost to county taxpayers could be dramatically higher in future years.

As Albany mandates continue to grow and our money becomes more severely limited, we must search for innovative and creative ways to provide services. County government must do a better job of evaluating programs that have always been seen as “part of the system” to make sure we are achieving the most effective results for our precious taxpayer dollars. Therefore, my 2005 budget includes resources for a *Health and Human Services Cabinet* as recommended by the *Dutchess County Human Services Task Force* to focus on the implementation of a coordinated health and human services delivery system and program evaluation methodology to produce better outcomes for families. This has been a comprehensive 18-months process in conjunction with the Center for Government Research (CGR). By having departments work together through a cabinet, as funding streams change we will be able to mobilize quickly and maximize revenue reimbursement. This occurred during the 18-month process as departments realized child preventative services could be funded at a greater rate through the Department of Social Services—and in 2004 and 2005 we will save an astounding \$1.6 million by utilizing this funding stream. Additionally, I am proposing funding for a review of the Public Assistance, Food Stamps and Medicaid programs. I have also provided for a new Deputy Commissioner of Social Services to oversee these key areas in the department to strengthen our administrative and management controls and increase accountability.

I also believe we need some realignment in our Child Preventive Programs to focus resources on strengthening families at the front end of the system to prevent higher costs to taxpayers at the back end. That is why I have included funding in our Probation Department for a probation officer for the Family Court Diversion Unit. “Front loading” the system with intensive, short-term supervision prevents unnecessary detention and placements. Funding is also provided for a Probation Officer for the *Community Transitions Center* to work with schools to address gang activity, as well as funding for a GED teacher for the *Community Transitions Center* to increase successful outcomes for probationers and defray higher costs down the road. Our Youth Bureau budget includes a restoration of funding for our *Youth Asset Initiative*, endorsed by both the Criminal Justice Council and the Children’s Services Council as a primary prevention strategy. ***Spend one dollar now to save two dollars tomorrow.***

Domestic violence prevention is critical as statistics show children who grow up in violent homes can often end up in jail themselves, as proven in Case Study One earlier in my message. Therefore, the Domestic Violence Program has been restructured in my budget to provide more comprehensive and coordinated services between the District Attorney’s Office, Probation and Department of Social Services while maximizing state aid reimbursement through the Department of Social Services. By consolidating contracts with non-profit service

providers under the Department of Social Services, the County will save an impressive \$354,000 plus over 2004 and 2005. ***Spend one dollar now to save two dollars tomorrow.***

Over the past five years, the growth and development of our County has occurred at a rapid pace. This growth is stretching our capacity to manage it effectively and efficiently. One of the areas that generate considerable concern for me is the safety and protection of our water supply. Over one hundred thousand people in the County rely on public drinking water systems while the rest utilize private wells for our water. It is the responsibility of the Department of Health to assure an adequate quantity and quality of water for our public systems' users as well as to review and approve all new development. Just take a look at the dramatic workload increases by our environmental engineering staff. Since 1999 the number of plans submitted for approval increased 87% from 973 plans in 1999 to an estimated 1732 plans in 2004.

Our review engineers have remained constant at seven staff during this same period of rapid workload increases. In addition to increased building activity, the County is also challenged to implement and enforce stricter federal and state clean water standards that are being phased in. We need to increase our oversight capacity. That is why my budget proposal includes one additional Public Health Engineer and one Public Health Technician. We will accomplish this at little or no additional cost to the county tax levy by funding these positions through a combination of state aid and increased user fees.

I have also funded \$385,000 in our Health Department budget for the *Children's Health Initiative* to continue one of my most important initiatives from 1999, our smoking prevention and cessation programming for young people, and launch another major health initiative for children - a new childhood obesity program initiative. Funding for the critically needed move of our Eastern Dutchess maternity clinic to a larger and more appropriate space to better serve the women who attend the clinic is included, as well as \$20,000 for a joint initiative with the Legislature for an international Lyme Disease conference to be held in Dutchess County next year.

With the growth in our aging population, the Office for the Aging budget maintains funding for our core programs for seniors, including the nutrition and exercise programs we launched in 1997 that are so popular. The program was expanded on a much larger basis in 1999. Today I take great pride it is by far the largest program in New York State with over 1200 participants and 55 locations. Also provided is a modest amount to increase mileage reimbursement for the dedicated volunteers who provide valuable services to our senior citizens every day.

On October 12, 1999 Dutchess County began one of its most important public safety initiatives in its history when we went "live" in taking and dispatching Enhanced 911 calls in Dutchess County. We have all become familiar with emergency services from television shows and movies. The public knows these

services are available and expects them to be provided when they dial 911. Over the last few years there has been an explosion of cell phone users. In 2003, in anticipation of the additional equipment and staffing requirements to take cellular 911 calls, the County adopted a dedicated cellular surcharge to partially offset the costs of providing this service. On June 6, 2003 Dutchess County began accepting cellular 911 calls. Today our call center can no longer meet our responsibility to effectively answer the number of calls received. While the number of calls has increased, so has complexity of our response and the time a dispatcher spends in handling each emergency caller. For this reason, the 2005 budget includes additional staff resources as well as an emergency medical dispatch quality improvement/quality assurance position. We have made a commitment to our community to provide this life saving service. In doing so we are equally committed to provide essential staffing resources as well as establish a quality improvement program that ensures our dispatchers follow proper call handling standards and procedures on each call for assistance. I am told the Enhanced 911 Oversight Committee also supports this effort. Funding is also provided for stipends and increased mileage reimbursement for our dedicated county emergency services volunteers who respond to emergencies and protect the safety of all our residents on a daily basis.

Serious fiscal challenges require difficult budget decisions. Events such as the 1994 corporate downsizing of our major local employer which impacted our community and residents for several years and more recently our ongoing struggle to fund burgeoning state mandates, have resulted in harmful reductions to staffing levels and local programs. Reductions to staff and programs typically affects those departments without State or Federal funding which need to be supported 100% by local taxes. The Department of Public Works, particularly Highway operations, has been deeply affected over a number of years due to the millions of dollars drained off to pay for Albany's mandates. Our community and local economy cannot prosper without an adequately maintained highway infrastructure. Simply said, just look around you at the traffic any day you are on County roads—roads are taking a pounding. More importantly, the safety of our residents on county roads must be a priority. We can no longer put off the required maintenance and repair to our road and bridge system because State social services mandates have absorbed any available monies that we would have preferred to apply to local highways. In the 2004 budget we initiated a two-year plan by funding two added laborer positions as a start to restore one of three crews lost to budget reductions. The 2005 budget completes that two-year plan by adding a labor supervisor and a construction equipment operator. This new crew's main responsibility will be safety related for installation and repair of guide-rail which has been inadequate due to workload and lack of staffing. We have a tremendous amount of damaged and substandard guide-rail throughout the County which places the County at increased liability risk. This new crew will allow us to increase shoulder maintenance and enhance our ability to be more timely responding to complaints received by our residents. This crew will also enhance the productivity of our other crews (pipe, bridge, paving, etc.) by allowing them to concentrate on their own planned workloads. Those workload tasks often get disrupted by staff shortages due to the state dictates which will

drain millions more in 2005 for Department of Social Services and other service mandates. In order to pay for these additional highway resources, I am proposing a dedicated funding stream through a vehicle registration tax in the 2005 budget. Our analysis indicates that 26 other counties already have adopted this charge with more including it as part of their 2005 budget proposals. It will be collected with vehicle registrations and amounts to an additional \$5 per year for vehicles 3500 pounds or less and an additional \$10 for vehicles over 3500 pounds which will be invested directly back into our Public Works Highway Department to meet our demands to maintain our highway infrastructure. ***Spend one dollar now to save two dollars tomorrow.***

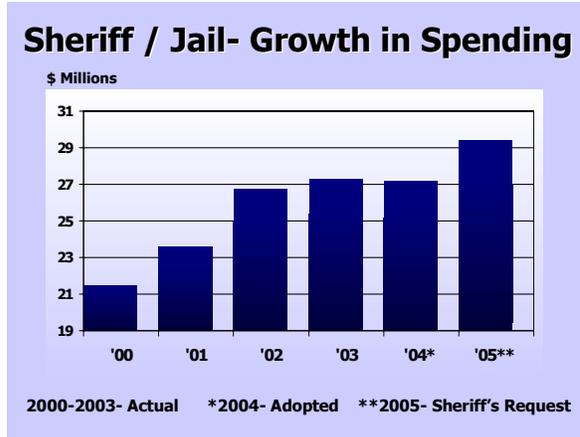
At the same time our County continues to grow so does our need for more public parkland. Given that available land west of the railroad tracks is rare, this year we have a unique historic opportunity for the County to acquire riverfront parkland. On the Legislative agenda for your November meeting is an initiative I have championed for five years. You will review an agreement with NYS Parks, Recreation and Historic Preservation for the County to operate a new riverfront park on state parkland at the former Hudson River Psychiatric Center on Clearwater Drive in the Town of Poughkeepsie. This commitment cannot be accomplished without additional staff to operate and maintain these 27 acres of prime Hudson River access. The 2005 budget includes additional full-time staff and summer interns to maintain this new County parkland to be called Quiet Cove Riverfront Park which will become a special jewel for County residents and visitors.

Due to the fiscal pressures placed upon the County by Albany mandates, the 2002 and 2003 budgets included significant reductions in technology funding which we cannot continue to absorb if we expect County government to operate like a 21st century organization. As we have added new services over the last few years, for the wide area network, e-mail and the internet, our technology budget has not increased to meet the costs required to maintain these new services, in fact it has decreased. The reality is we need to increase this funding just to maintain current services. Even with the increase, we will be deferring equipment purchases and upgrades of aging software out until 2006. This is why I have increased funding by \$175,000 to total \$575,000 in my proposed budget for OCIS equipment for non-reimbursable departments, as well as funding for Board of Elections software, hardware maintenance fees for the new financial management system, the continued implementation of our Mental Hygiene management system and funding to continue our GIS initiative. Funding is also included for Social Services computers to bring the department up to speed with the rest of the County and to provide the tools to work more efficiently allowing more staff time to spend on helping vulnerable clients.

The 2005 budget includes resources for the long vacant position of County Historian to insure that Dutchess County's rich heritage is recorded, preserved and accessible to residents.

My budget also acknowledges the important operational needs of our independently elected officials with proposed funding for a Receiving Registry Clerk to help meet the needs of County Clerk Lafuente to reduce overtime and provide for the separation of financial duties cited in past audits. Additionally, I have approved the request of Comptroller Noel to upgrade an Accounting Clerk from part time to full time in the Comptroller's Office to provide for better auditing controls and timely processing of payments.

The law enforcement and corrections budgets have grown dramatically over the past five years. In 2005, Sheriff Anderson's request is the single largest



spending increase request of any County department, with the exception of mandated expenses in the Department of Social Services. The 2005 combined law enforcement corrections request is 16.9%, or \$4,600,083 greater than the 2004 adopted budget. More importantly, over a five-year period, spending in the Sheriff's office has increased at an average double-digit rate of over 10% per year or more than 50%. As a result, this year senior staff found it

necessary to expend a significant block of their time to review the sheriff and correction budgets.

Our community is fortunate to have an exceptionally dedicated group of men and women who serve our County as Deputy Sheriffs under the direction of our very capable Sheriff Adrian "Butch" Anderson. The work they do to protect our neighborhoods is appreciated by everyone.

The larger issue we are forced to answer today is how much more money we raise from local taxpayers to expand the Sheriff's staffing when Albany is draining off millions and millions of dollars more each year to pay for their mandated social services programs denying County government the money we need to pay for our local law enforcement.

In constructing the 2005 budget there remains a number of unanswered questions regarding the law enforcement and corrections budget. Twelve positions were requested by the Sheriff to grow the road patrol and another eleven positions to increase corrections transportation resources—the largest such staff position request of any County agency. However, there was no significant plan by the department to proportionately reduce overtime funding. While the Sheriff indicated the request for additional deputy sheriff staff was linked to homeland security issues, we have been unable to determine whether requests for homeland security patrols are mandatory or voluntary; or specifically what part by task, function or patrol detail was for that purpose or what was expected of the County compared to other local and state police agencies.

Additionally, our review found over the last five years there has been an increase from sixteen to twenty-one in the number of detectives. This has been achieved by the Sheriff reducing staff assigned to road patrol coverage to become detectives that perform specialized duties. Also, the Sheriff assigns deputies as plainclothes deputy sheriffs that perform civil duties. Over the past five years, that number has fluctuated with a high of 22 in 2003. Currently there are twelve assigned in 2004. Different than with other county departments whose program and service categories are expected to be submitted for policy review by the executive and legislative branches, these staff transfers for expanded detective services have been determined at the sole discretion of the Sheriff.

Last year we adopted a policy that municipalities who choose **not** to have their own local police services must reimburse the county for actual expenses incurred as a result of their request to receive additional sheriff patrols **above** the level normally provided by **routine** zone patrols. We had no alternative but to take this action due to the exploding costs for employee health benefits, salaries, gasoline and vehicle costs. There are fifteen of twenty towns without their own police department and three of eight villages without their own police department. Therefore, this is a service we provide only benefiting five of the fifteen towns and one of the three villages that currently choose **not** to invest by creating their own police departments. While this benefit is paid for by the towns, it is provided primarily with deputy sheriffs on overtime thus stressing the department's ability in making assignments for their other responsibilities. Like County government, local supervisors and town board members have to choose priorities between spending precious dollars for public safety and other local services. The choice should be theirs at the local elected board level, not just ours at the County level.

To be consistent, this year we have applied the same rationale and logic to school districts where the Sheriff assigns deputies as "school resource officers" but has done so with no reimbursement requirement to the school district. Unlike the above-cited service to towns and villages, which is provided by staff on overtime, these six deputy sheriffs in school buildings could be assigned by the Sheriff if he chose to the road patrol/homeland security activities the Sheriff indicates are necessary.

In fact, over a number of years, these resource officers were previously part of the road patrol staff before being taken away from neighborhood and highway patrols to be redirected to school buildings. Therefore, if patrol services are being depleted then we believe the schools, to be consistent with our chargeback reimbursement policy for localities, should also fund these supplemental services they require.

Combining the increase of five deputies, now detectives, with the six patrol deputies now in selected school buildings—the result over recent years is an effective reduction of eleven deputies available for regular patrol. As noted earlier, numerous New York counties are cutting sheriff's patrols as a result. There are very few budget areas where counties can reduce a dollar of spending and get a dollar in tax relief. Locally, that means more tough choices and

reductions for valued services such as public safety and law enforcement services that are competing for the remaining few local tax dollars left after Albany has siphoned off millions from us.

Without a comprehensive analysis of the Sheriff's allocation of deputies by task and function, I am unable to endorse the very substantial request by the Sheriff. This was an issue I believe the Legislature planned to review this past year. However, I will fund positions consistent with the rationale used in the 2001 executive budget by substituting Sheriff's aides for Sheriff's deputies where appropriate. Therefore, I am including added funding that will put **three additional** deputies on our County roads. The added patrols will be achieved by adding three sheriff's aides who will relieve three deputy sheriffs currently assigned to communication activities to enhance road patrol services. Additionally, I have funded three more corrections officers.

We believe the Legislature needs to expand its review in 2005 reevaluating services and staff needs looking toward the 2006 budget cycle as well.

The County Legislature's review of this year's request by the Sheriff for a near 17% spending increase raises a much larger policy issue. This 2005 budget, like all annual budgets is a question of daunting choices. However, the issue of police protection in local communities, in neighborhoods and along our local roads is one that compels a longer multi-year strategic view by the Legislature. Part of that multi-year strategic view is the necessity for the Legislature to answer the question—What should the level of financial contribution by the County government be for police protection by comparison to the State's commitment via the State police and local leaders' commitment for police protection in their own communities? Further, in the face of the relentless onslaught from the State Legislature of state mandates that cost the County budget millions of dollars more each year—can the County government also be all things to all people in the delivery of police services? Should the County be expected to fund the spiraling increase in road patrol spending while many of our local governments choose to spend no money to protect their communities? The Legislature should examine the obvious questions. While a large growing suburban town government in East Fishkill chooses to spend \$4 million a year for the safety of its residents, and the Town of Poughkeepsie \$10 million, why do adjacent neighbors, large growing towns like LaGrange and Wappinger choose **not** to have their own police department, not to make a financial commitment while expecting County government to in effect be their full time police departments?

The Legislature needs to ask –Should we as county officials be expected to raise the County property tax and fund dramatic increases for the Sheriff just so more deputies can patrol the towns where local leaders do not make police protection their own priority? The Legislature should also ask—Is it equitable and fair to raise county property taxes on residents in towns and cities who already pay for their own local police departments such as in Hyde Park, East Fishkill, Beacon, Fishkill and Town and City of Poughkeepsie to subsidize populated growing

areas like LaGrange, Wappinger and others who apparently want to rely on more County patrols funded in the County budget?

The Legislature may think a separate criteria should be used for smaller more rural towns compared to larger towns. However, then the question for the Legislature is—Why should a small central Dutchess Village of Millbrook who makes the commitment to pay for its own Millbrook patrol have to pay for their own services while communities like Unionvale, Amenia, Dover, and Clinton and others get County government funded police protection? Again, the question arises—How does the Legislature apply a fair, equitable distribution of County police protection services when many localities overtly decide not to make it a priority in their own local budgets knowing they can rely on the County government budget and the County tax levy to pick up the tab?

Similarly, the Legislature needs to ask how we as a government decide why or how the six schools are selected to receive dedicated deputy sheriffs as school resource officers? What is the criteria? Why don't other schools get them? Since the East Fishkill police department and its town government provides a school resource officer to John Jay High School, why doesn't the Village or Town of Wappinger do the same at the Wappinger Junior High instead of our strained County budget being expected to pick up the bill by the Sheriff assigning a deputy—again without reimbursement? Why is 1/3 of the deployment of the six school resource officers fully paid for by the countywide property tax levy, allocated to one school district--Dover?

These are all compelling questions for the Legislature. Questions that require review, analysis and debate, recognizing along with DSS, it is our biggest budget cost center and the fastest growing.

Let me offer one additional very sobering thought as you consider the 17% request in increased spending for the Sheriff's Office and as you consider if you believe local towns and school districts should absorb the costs for added deputy services—or for that matter if you want to adopt a mortgage tax. Just last week a news story reported the current jail expansion proposal from the Sheriff expecting to cost \$45-\$50 million dollars may in fact expand and grow in order to build an even larger addition. Let us say hypothetically it would be \$75 million dollars in construction—which I am told will be \$133 million in cost to local taxpayers including interest payments. Add in an expected staff increase request of maybe 50-60 new corrections officers. Rough estimate--bond and staff costs could increase for the Sheriff' jail by \$8 million per year—with an exposure of up to 15%-20% increase on the tax levy annually. A daunting and sobering thought!

Proposed funding for debt service totals nearly \$10 million and includes the following projects: the Central Dutchess Waterline, the Jail expansion schematic design, a new financial management system, the Eastern Dutchess Government Center, security upgrades in county facilities, airport improvements and repairs, renovations and improvements for county buildings, highway and bridge improvements, improvements for the new Hudson River waterfront park,

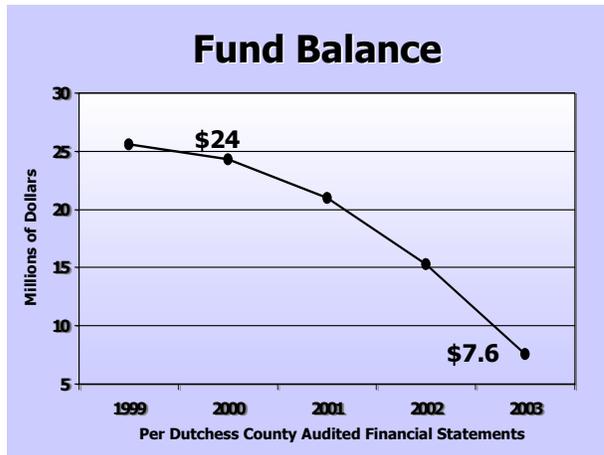
improvements for Wilcox and Bowdoin parks, the Harlem Valley Rail Trail and the Mid-County Rail Trail, open space and farmland protection, and Dutchess Community College renovations.

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Some moderating in the growth rate in the economy has reduced the growth in our largest source of revenue, the sales tax. Sales tax supports approximately 35% of total spending. Year-to-date sales tax revenues have grown nearly 20% due to the ¾% increase in the rate effective June 1, 2003, with normal growth tracking at 4%. We project normal growth next year to be a fairly healthy 3.7% over 2004 estimated collections and have estimated \$126.9 million in sales tax revenue for 2005. Our 3.7% growth projection for 2005 factors in a combination of rising oil prices, somewhat slower second quarter GDP growth and a slight reduction in consumer spending.

The Tentative Budget before you holds spending at \$364.6 million, and the percentage of growth over the 2004 modified budget is 5.9% in spite of the \$123.6 million in spending for state mandates. The Albany imposed mandated cost increases will force an average county property tax rate of \$2.71 per \$1,000 of full market value which is an increase of a modest 10 cents per \$1,000 compared to 2004. The increase will cost the “average” owner of a home with a market value of \$250,000 an extra \$54 next year, going from approx \$622 to \$676.

Like most counties statewide, regrettably a property tax increase is necessary to begin correcting the structural budget imbalance as a result of the Albany imposed mandates forced upon us by State legislators. We must maintain our fiscal stability by controlling spending, restoring our depleted reserves and



lessening our reliance on uncertain fluctuating sales tax receipts and one-time revenues. Our undesignated fund balance at the end of 2003 has dwindled to a mere \$7.6 million compared to \$24 million just five years ago. This is our lowest balance in more than a decade and as a percent of appropriations also the lowest in many, many years. This is due largely to draw downs for Medicaid and other state mandates, as well

as negotiated wage increases we have had to fund for our employees covered by labor union contracts. That is why the proposed budget before you today includes only a modest \$500,000 appropriation of fund balance from the Road Fund and **no** appropriation of general fund balance since its amount is seriously below recommended threshold standards. Rebuilding our fund balance, a stated goal in the past of the County Legislature, and maintaining our fiscal stability is

also important to preserve our enviable Aa2 credit rating to avoid higher interest rates on the substantial borrowing activity. While the 2005 budget requires a property tax increase, a healthy local economy and strong housing market bringing \$2 billion growth in our real property assessments will allow us to keep the property tax increase at a modest amount.

My 2005 proposed budget includes the structuring and reallocation of county resources required to better fulfill our traditional core mission, maintains essential services and provides quality core services to our residents. Dutchess County is better off than many other New York State counties where taxpayers are facing double-digit property tax increases, county employees are facing layoffs and valuable programs and services are drastically reduced or eliminated entirely. We must continue, however, to be more creative and innovative in our service delivery and evaluate outcomes to better manage county programs. We look forward to continuing our partnerships and collaborative efforts with the Legislature, the business community and our not-for-profit and neighborhood based agencies. My staff and I look forward to working with the Legislature in the weeks ahead to accomplish our goal of providing the best services possible to our county residents.

In closing, I wish to express my thanks to my entire Executive Office and especially to our skilled, hard working Budget staff, to all my Executive Department Heads and to the independently elected officials for their assistance, understanding, cooperation and support throughout the development of the 2005 Executive Budget.

Sincerely,

WILLIAM R. STEINHAUS
County Executive

NOTE: The Capital Budget Plan and message is attached and submitted with the tentative operating budget and levy resolutions.