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County Executive

Office of

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November 1, 2011

To Chairman Rolison, Members of the Dutchess County Legislature and Residents of Dutchess County:

I submit to you, the members of the Dutchess County Legislature, my 20th and final executive budget proposal.

In 2011, we froze the property tax levy at the 2010 level with reductions in spending and bold reform of Dutchess County government.

The 2012 Executive Tentative Budget:

- Keeps the property tax levy below the state imposed property tax cap,
- Maintains funding for our partner community service providers,
- Continues funding for county government core missions including public safety, health and human services, community development and quality of life,
- Continues 20 year record of reform, restructuring, consolidation and shared services,
- Keeps county government's share of the property tax bill at about 14% of the property taxes collected countywide with the remainder comprised of school taxes, municipal town, village or city taxes and special district taxes,
- Demonstrates how we have maintained an impressive Aa1 bond rating from Moody's Investors Service, our bond rating agency. Only two counties statewide are higher.

Throughout my tenure as Dutchess County Executive, I have been committed to ensuring we can deliver the county government's core mission services and provide fiscal stability for the future, while protecting the interests of our county property taxpayers. Over the past two decades, we have worked to control costs through continued restructuring and reorganization. We have streamlined operations to more efficiently serve our county residents in response to changing community needs and economic conditions. Our proactive work and fiscal stewardship has made Dutchess County government stand out statewide. Dutchess County taxes its residents 23% less per capita and spends 26% less per capita than the statewide average, **ranking us among the lowest of all 57 New York counties for spending and taxes per resident.**

In recent years, we have operated under one of the most difficult fiscal environments in decades, perhaps generations, dealing with a national recession that has never seemed to end. The county's tax base continues to decline – 17% or \$6.5 billion since 2008, from \$38.4 billion to \$31.89 billion, as a result of a downturn in the residential and commercial construction market, overall decline in home values as well as the reassessment activity over the past few years at the municipal level.

Unemployment has remained high at 7.2% for September, with a year to date average of 7.6%. This is still significantly higher than the annual average of 4% for 2007 prior to the economic recession. NYS Department of Labor statistics for September show Dutchess County's labor force is down 6,000 from October 2006 and there are 10,300 fewer people employed compared to the 2005 annual averages.

The impact of the economic recession caused county sales tax revenues to decline more than \$11 million over the 2008-2009 time period. In 2010 and into 2011, we saw some moderate growth in sales tax revenue as the regional economy appeared to show signs of a slight recovery. However, sales tax revenues have dropped significantly in the 2nd and 3rd quarters of 2011 down from 12.5% at the end of the 1st quarter of the year to 2.5% in mid-October. The 2011 year end sales tax forecast provided by our financial advisor is \$131.33 million, over a million dollars below the \$132.46 million the Legislature adopted for 2011. This forecast projects a 4.5% increase in sales tax collections for 2011 compared to the 2010 year end close out. Moving forward, based on our financial advisor's economic outlook, the 2012 budget reflects a modest 2% increase over the projected 2011 to \$133.9M.

Other economically driven revenues are projected to decline further in 2012, including hotel tax, interest earnings and transportation aid revenue.

As county revenues have suffered during the economic downturn, the demand for county government services has skyrocketed as more and more residents and families struggle to see their way through the current economic conditions.

Dutchess County government has faced economic challenges before. We responded with discipline and long term planning and emerged stronger and better prepared. Even with the pounding we have taken again and again from the economic conditions over these past years, we have been able to keep our financial footing on solid ground.

The knockout punch for county government's fiscal future, however, does not come from economic conditions... it comes straight from Albany. For decades, county officials across the state have spoken out about how the escalating costs of state imposed mandates cause local property taxes to rise. Again and again, county officials have provided quantitative solutions to reform the state's mandate system in order to provide real relief to local property taxpayers. In February, the New York State Association of Counties (NYSAC) submitted a report to the Governor's Mandate Relief Team outlining 239 mandate relief recommendations that could reduce the cost of government by billions

of dollars, reduce the property tax burden for all homeowners and businesses, and improve the future economic competitiveness for counties as well as for the state.

Meaningful mandate relief requires hard work and effort and we all know that some politicians would much rather pander to property taxpayers than do real, substantive hard work. So when property taxpayers reached the breaking point with Albany dysfunction and demanded action from Albany to get New York State's notoriously high property taxes under control, what did Albany decide? They imposed a statewide property tax levy cap that offers no meaningful mandate reform at all and threatens the existence of local programs. Here in Dutchess County, we are fully supportive of a property tax cap, in fact this administration has a long history of capping taxes. However, the only way a statewide property tax cap can work is with meaningful mandate relief.

The new state property tax cap legislation limits local tax increases, but the state is still requiring county governments to provide a broad range of state mandated services where spending continues to rise in the millions of dollars. We continue to be forced to spend local dollars on state operated, state mandated programs over which we have no discretion, and no say. Shame on Albany!

Mandated costs that include:

- County contributions to the state Medicaid system.
- Early intervention and preschool special education programs.
- Mandatory contributions to the state retirement system for employee pensions, which have increased 17.8% from \$17.4 million to \$20.5 million.

Dutchess County government has not needed New York State and Albany politicians to legislate a tax cap to control county costs. We have streamlined, restructured and cut costs across nearly every area of cost under our control, while most Albany politicians kept adding costs to their bloated state budgets. I initiated bold reforms that included the 2011 realignment of nine executive departments into just four departments. There have been no COLA or CPI wage increases for the majority of county employees in recent years. **More than 173 county government positions have been eliminated since 2008 and county government now operates with fewer county employees than in the mid-1980s.** Take a look at the operational costs we have cut since 2007:

- Employee Travel and Training.....cut 37%
- Equipment purchases cut 79%
- Communication costs.....cut 33%
- Suppliescut 16%

We continue to seek out savings and efficiencies:

- In 2011, work is underway to convert to a new Internet Protocol (IP) based communications system serving county government. When the new communication system is fully implemented next year, property taxpayers will benefit from more than \$200,000 or 30% savings for 2012 and \$2.4 million in savings over the next ten years.

- A refinancing of county bonds is also underway that will save taxpayers more than \$470,000 and,
- we just successfully negotiated with the CSEA Employee Benefit Fund (EBF) to provide a new optical plan for our employees with projected savings of nearly \$500,000 over the next five years.

Yet while we have constrained our spending and cut back on important local programming and services, through 2011 **costs for state mandated programs have grown by nearly \$7.3 million since 2007** and this does not include the related millions of dollars in employee or administrative costs!

We have reached a point where we can no longer pay for all of Albany's out-of-control mandated expenses without decimating core county government functions and eliminating important local services. We have been forced to consider eliminating important health and human services programs, sheriff road patrols, park closures, reductions to snow plowing, road and bridge repairs and dismantling other public safety and quality of life services, all to pay for Albany's bills. This is unacceptable.

For the last several days, county government has mobilized to respond to the needs of our residents impacted by the Autumn Snow Emergency. Public works crews have been clearing snow and downed trees from roadways, 911 dispatchers have been answering thousands of calls and Sheriff deputies have been responding to accidents and checking on the welfare of residents. Ask yourself this: Are we willing to no longer provide these critical services to our residents in order to pay for state mandates that never end? My answer is NO.

We will not decimate the important local services our residents need and deserve simply because Albany has failed to act responsibly. Now is the time for our elected state representatives to stand up and do what is right... provide residents with a property tax cap that is real and deliver the mandate relief that was promised.

Therefore, this 2012 proposed budget anticipates the long overdue mandate relief Albany has promised, and holds state lawmakers accountable to do their job.

However, even with the anticipated mandate relief included in this budget proposal and our continued commitment to reform, restructuring and realignment to control county costs, **to stay within the property tax cap we must draw down our fund balance to pay for the state's mandated expenses.**

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The 2012 proposed budget has been constructed with the following elements: the proposed budget is a \$411 million plan that maintains basic services and stays within the state's property tax levy cap formula, which calculates to 3.3% for Dutchess County government. This budget has a minimal spending increase of only .7%, well below the

current 3.9% rate of inflation, despite an initial \$40 million budget gap when we began budget development this summer.

Let me discuss some details of what this 2012 Tentative Executive budget does include and how we will continue to restructure, realign and reform how county government operates.

Community Service Providers

My 2012 county budget proposal will maintain the current level of funding for the purchase of vital programs and services provided by various community agencies. In addition, there are new funds for several specific types of programs based on gaps in services – also designed to avoid new or higher future expenses.

We value the work of our local community agencies and are committed to our ongoing partnership to ensure cost effective and quality services are delivered to our residents. Our partnerships with nonprofit organizations provide flexibility and can achieve a lower cost to taxpayers as well as provide long term cost savings in other operational areas.

This budget will direct more than \$365,000 in *Enhanced TANF Employment Funds* to break down many of the barriers to maintaining employment for those who receive funding assistance through the Temporary Assistance for Needy Families (TANF) program. This funding is aimed at eliminating some of the obstacles that face young adults, people with transportation issues and women who have been victims of domestic violence.

More than \$215,000 of this allocation will be directed for a new employment program “Break Down Barriers” targeted for young adults ages 18 to 25 years old in their job search efforts. The goal is simple – help people overcome the barriers that prevent them from employment and connect them with employers who have positions to fill. This TANF assistance population has grown explosively over the past five years from 185 in 2006 to more than 1880 in 2011, a startling 916% increase.

Dutchess County BOCES will work with individuals to evaluate job readiness and develop job skills with training to match available job placements. The Dutchess County Regional Chamber of Commerce will provide coordinated job matching and provide mentoring services. Local employers will be eligible for up to \$5/hour wage subsidies for up to six months when they hire program participants. In addition, \$85,000 will expand existing youth employment services through the Chamber of Commerce.

Transportation issues can be one of the most difficult barriers to stable employment. There will be \$50,000 in program funding to help eliminate these transportation barriers.

Women who have left domestic violence situations often face unique challenges finding employment, particularly when they have young children. My budget proposal will include funding for child care services enabling these women the opportunity to find housing and employment to shorten the road to self-sufficiency.

My budget also includes new funds of \$50,000 for a *Domestic Violence Victim Advocate* to implement a case management and legal advocacy services program for high risk victims of domestic violence. This is a strategy that requires the cooperation of many key stakeholders in the community. It will involve using a flexible approach to enhancing safety of victims and their children.

Other community services increases include \$42,000 for youth agricultural programming with a full time 4-H Issue Leader, \$50,000 for agri-tourism through the expansion of the Farm Fresh program and \$20,000 to address environmental concerns with storm water management programs.

Sheriff/Jail

The Sheriff's Office is the most expensive county service cost center to local property taxpayers. Since 2007 throughout the economic recession, when other county departments faced significant restructuring and reductions to meet county government's fiscal challenges, the Sheriff's budget increased by a staggering \$17.6 million or nearly 60%. This cost is unsustainable and is another primary reason it will be necessary to draw down the county fund balance.

My 2012 proposed budget for the Sheriff's law enforcement and corrections divisions provides full funding for Sheriff road patrols and other core services provided by the Sheriff's Office, as well as funding for the Corrections Division to house inmates in other institutions.

Retirement premium costs for deputy sheriff pensions are the highest of any employee category in county government. Dutchess County taxpayers will pay an average of \$122,000 per deputy sheriff in 2012, including payroll, health and pension benefits, and other related costs.

Basic sheriff road patrols and policing community events are not mandated services required by law, however these are services our residents have come to expect. We have several times in the past offered proposals to continue these services in a more cost-effective and equitable manner. We have made proposals over the years to contain these costs and to share expenses with the municipalities and school districts where the deputy services are most used. Unfortunately, our cost savings proposals were rejected by the Sheriff and the County Legislature. Neither the Sheriff nor the County Legislature has yet offered any alternatives, nor have cost saving measures been offered.

One thing is certain - faced with a state imposed property tax cap and absent any real or meaningful mandate relief from Albany, these increasing costs in the Sheriff's Office are unsustainable moving forward. Should the County Legislature choose to draw down the 2011 year end fund balance to pay for 2012 Sheriff budget expenses, it will create a daunting fiscal reality for the 2013 budget.

Sheriff Anderson, as the chief elected official responsible for law enforcement as well as the operation of the County Jail, along with the County Legislature and the next

administration, will need to look at the Sheriff law enforcement and Jail operations to find new solutions and reorganizational initiatives to deliver cost savings, just as other department heads throughout the executive branch have done and continue to do.

Continued Commitment to Restructuring, Realignment and Reform

Family Court

Last year, in the 2011 executive budget, I included funding to have the Public Defender's office provide the primary support for the state mandated indigent legal representation in Family Court. Despite the substantial savings and efficiencies proposed with this solution, the County Legislature chose to remain with the "status quo" continuing to allow 18B attorneys to be appointed by judges to handle indigent legal representation. The Legislature did form a committee to look into the growing cost of this representation and to make a recommendation for the 2012 budget of how to service these needs in the most economical way.

As we submit this 2012 proposed budget, the committee has chosen to once again continue with the "status quo." I find this option totally unacceptable and it would be a continuing onerous burden on property taxpayers. Assigned counsel costs have increased year to year and although some additional scrutiny has been applied this year to the submitted 18B expenses, when the current backlog of claims is accounted for, it does not appear there will be any significant savings.

If the County Legislature wishes to stay with the property tax levy cap, legislators must be willing to make these difficult political reform decisions even though the judges may resist.

Therefore, we are again proposing the Public Defender's Office take the responsibility for Family Court indigent legal services. The 2012 executive budget includes a scaled back "pilot" approach which will allow both Public Defenders and 18B attorneys to provide representation. Two additional Public Defender attorneys will be hired and dedicated solely to Family Court representation which will address approximately one-third of the family court cases. This proposal will also provide the data needed to compare the cost per case of the two approaches and supporting analysis for future decisions.

This hybrid approach will also help ensure the receipt of at least \$443,000 in revenue for the county over the next two years; funding that will not be received if Dutchess County remains with the "status quo". This will also be the first step in a multi year plan designed to maximize county reimbursement as we adapt to future state funding modifications and requirements.

The economic case for proceeding is compelling by itself. However, the improvement in the quality of representation is significant as well because the assigned counsel plan in Family Court cannot meet several standards set by the New York State Bar Association in regard to providing state mandated representation. This in-house plan will meet those standards.

It should also be noted that **34 counties** in New York State, including Ulster and Columbia, use their Public Defenders to provide Family Court indigents legal representation.

Solid Waste

In continuing my administration's commitment to reforming, restructuring and realigning wherever it provides Dutchess County with economic efficiencies, the Solid Waste Department is being folded into the Dutchess County Health Department.

In 2011, the Department of Consumer Affairs/Weights and Measures was reassigned to the Health Departments Environmental Health Services Division. This proved to be an effective placement, yielding an initial savings of over \$80,000 annually while creating the potential for significant future benefits in the inspection and monitoring of various environmental aspects within Dutchess County organizations and companies.

Likewise, the management of solid waste is a major environmental concern and will be well placed in this division of the Health Department.

Therefore, in 2012 two new positions have been established and the Commissioner of Solid Waste position has been reclassified to a coordinator's responsibility. The new Solid Waste Coordinator will have overall responsibility for the solid waste function and work with the County Attorney's office concerning licensing and collaborate with senior management in the Health Department, coordinating with Environmental Division Director under the direction of the Commissioner of Health, to oversee the contract with the Resource Recovery Agency as well as the implementation of the Long Range Solid Waste Management Plan.

A solid waste compliance inspector will be hired to ensure compliance with Dutchess County recycling and solid waste laws, rules and regulations. Additionally, a senior program assistant will be assigned to handle this new group's administrative responsibilities. Several counties throughout the state have already placed various parts of their solid waste management function in their Health Departments. We are confident this realignment will provide more cost effective oversight of waste management and recycling in Dutchess County and is consistent with the role of the Environmental Division.

Mental Hygiene

There are various models of mental health service delivery systems that exist across New York State. Depending upon many factors including the number of clients, the type of clients, whether the services are provided directly or indirectly, and what the state's level of state aid and reimbursement rates are (in large part determined by the state's currently favored model), the net county costs can vary significantly by county as shown in the table below.

County	Population	2011 Budgeted County Cost (rounded)
Broome	200,600	1,186,000
Onondaga	467,026	2,487,000
Erie	919,040	2,821,000
Albany	304,204	3,539,000
Ulster	182,493	5,387,000
Westchester	949,113	7,225,000
Dutchess	297,488	9,536,000

For many compelling reasons, the State decided years ago to focus the care of the mentally ill on more community based services and began a systematic cut in its own direct services to the mentally ill. With that decision, the state transferred considerable responsibilities to counties with state funding as the “carrot”, or incentive to enhance existing programming and build new community services to replace that which the state was providing.

Based upon New York State’s funding commitments at the time, Dutchess County fashioned a comprehensive community services delivery model both to serve those with serious and persistent mental illness who had been residents and patients at state facilities, as well as to serve the more general population of mental health clients, including children and families. Dutchess County was home to multiple New York State Psychiatric Centers and institutional care facilities when the state’s “de-institutionalization” process began in earnest three decades ago.

Apparently, we continue to learn the hard way promises from Albany are worthless. As is often the case, the **state’s funding commitment and its reimbursement rates have diminished significantly over time**, and the cost paradigm continues to shift to the county’s property taxpayers in 2012.

In 1980, DMH provided its programs and services with approximately 267 FTE authorized positions, which then grew to 337 at its peak. That was in 1992, the year I became County Executive. We knew such explosive growth in DMH staff was not sustainable without bankrupting homeowners paying property taxes. So working with the department’s leadership, we have been able to identify opportunities for change to continually evolve and modify our service delivery system while being cognizant and sensitive to the need for careful planning so our clients could successfully adapt.

The changes we have implemented have allowed for an even more comprehensive system of care for the mentally ill in Dutchess County and, at the same time, have facilitated a truly broad community based system involving strong community agency partners. Today in 2011, DMH positions equal 172 county employees, compared to the peak of 337.

As we move into 2012 we see even greater decreases on an accelerated level in mental health funding for one of our longtime, hallmark programs in DMH. In order to maximize state funding, we must quickly adjust to the state's newest direction in care, the Personal Recovery Oriented Services or PROS program. This completely new program, to be operated by a new community provider, will replace the existing Continuing Day Treatment or CDT programs. Dutchess County DMH is not equipped to implement and provide the PROS program, and in the long term it is not in the county's best interests to be a PROS provider.

Therefore, the 2012 budget proposal plans for an April 1 CDT closure date. Three months of 2012 funding has been provided for a smoother transition to PROS for clients. Additionally, impacted staff will have more time to work with our Human Resources staff to review civil service, retirement, or other options that may be available to them. The 2012 budget reflects the deletion of 49 Mental Hygiene FTE positions. 22 filled CDT program positions will be funded as temporary status positions through the 1st quarter of 2012 as the program comes to an end.

As the population of individuals with serious and persistent mental illness who had been previously served by the New York State psychiatric centers declines, our programs must align more with the costs other counties pay. Westchester and Erie counties, with more than double and triple the population of Dutchess, spend 1/4 and 2/3 less respectively than Dutchess on mental hygiene services. If this current opportunity to adapt to the changes in mental health service delivery is denied, the net to county costs (provided by our property taxpayers) discussed earlier will grow exponentially in future Dutchess County budgets. It would be in direct opposition to lower cost models that other counties have used successfully to meet their residents' needs and will collide with the property tax cap.

On a separate note, New York State has complicated Dutchess County's mental health system even further with its decision to close Hudson River Psychiatric Center, move the remaining patients to Rockland County and abrogate the state's own responsibility for the mentally ill requiring hospitalization to the County. Once again the state is attempting to incent, or bribe Dutchess "...to build new mental health services" (the state's own words) by offering \$1.5 million in "new" state funding in order to accept the state's responsibility and fill the void they are creating. As described earlier, **we know from experience that state funding will be short-lived – it will diminish over time with the property taxpayer footing the bill entirely.**

I have been clear and have told Albany officials this **cannot happen**. New York State can and should explore other, existing options to fill this void rather than passing the additional responsibilities to the county. One obvious example would be to partner directly with local community agencies to provide supplemental services if it is determined they are required.

If this policy position is reversed with the belief that the \$1.5 million will provide some sort of short term relief to Dutchess County, it would be a mistake that would further

commit county government and our taxpayers to a future path that is unsustainable and contrary to the reform and realignment requirements of our government. Again, don't forget the property tax cap.

We are grateful for the compassionate commitment that Dr. Kenneth Glatt and his professional staff have made to our diverse and complex mental health population. We are confident we will continue to assure the needs of the mentally ill are being met in Dutchess County.

Despite all of the additional restructuring that I have outlined in this message, we cannot pay to maintain the local services that residents expect and deserve AND pay for the state mandated costs forced on us by Albany.

Anticipated Mandate Relief

Governor Cuomo and state lawmakers have repeatedly promised county officials they would reform and reduce the state mandates that choke county government, burden local homeowner property taxpayers, and drive businesses out of New York.

These state officials failed to make those mandate reforms they promised last spring during adoption of the state budget in 2011.

State officials failed to convene any sessions of the state legislature this summer or fail to adopt mandate relief even after promising they'd adopt the mandate relief "after" their budget work was done.

This 2012 Dutchess budget holds them to their word and will test if the Governor and state legislators are honorable people who keep their word, or if they are simply the same old dysfunctional group of the past decades that are good at rhetoric and promises but not good to their word.

This budget anticipates relief in two of the most significant mandate cost areas forced on county governments – Medicaid and Early Intervention/Pre School Education. The state has several proposals to reform these mandated burdens and easily deliver the anticipated savings to property taxpayers.

Therefore, the 2012 Dutchess budget **refuses to provide any new property taxpayer money** to pay for increased Medicaid payments from the county to the state as is required by the Governor and state legislators under present law.

Our 2011 budget included more than \$41 million paid by local county taxpayers for the Medicaid program. Based on the state's Medicaid growth formula, our costs would grow by an additional one million dollars in 2012. New York State's Medicaid program has grown into the nation's largest and most complex state system of healthcare, and continues to be the single largest state mandated program for county government. For decades, Albany lawmakers have expanded Medicaid benefits while counties were

forced to bear a significant cost for these expanded services without any decision making authority or control at the county level. Counties simply cannot continue to shoulder increases for the state's Medicaid cost burden.

That is why my 2012 proposed budget keeps Medicaid spending flat at the 2011 level and holds Albany accountable to keep their promise to either implement Medicaid reform or pay the increased costs for their state Medicaid program.

Costs for the state mandated *Early Intervention and Preschool Special Education* programs have grown significantly over the past 20 years as Albany lawmakers have looked the other way, resulting in increased costs for county property taxpayers. Our cost for these two programs in 2011 is projected to be \$23.3 million dollars with about \$8 million paid by local property taxpayers.

Equally frustrating is the State's continued practice of cutting back on its own funding commitments, while still dictating county governments continue to provide the same level of service. The Pre-School Special Education program is an example of where state legislators and governors have repeatedly reneged on funding commitments. In 1989, State law was created to reduce county government's fiscal liability for programs to 25% by the 1993-94 school year. However, state lawmakers have continuously reneged on this commitment in efforts to balance the State Budget by not living up to their funding commitments for these programs. Counties now pay 40.5% of the program costs and 100% of the costs over the State mandated cap on the costs for transporting these children to their service providers. If New York State honored its own statutory commitments, Dutchess County government's 2012 cost for this program alone would be \$2.5 million less. Simply said, our state elected officials are knowingly, willfully breaking the law.

Albany has also rejected proposals to maximize third party insurance reimbursements for a portion of the Early Intervention costs which would bring significant savings to counties. For Dutchess County, this lost savings is estimated to be more than \$1 million annually. All Early Intervention services should be covered by commercial health insurers.

That is why my budget proposal reduces the county's cost for state mandated Early Intervention and Preschool Special Education program funding by \$1.2 million, and holds Albany accountable to keep their promise to implement needed mandate reforms now.

The budget actually intentionally reduces by \$1.2 million or 12% the 2012 net to county budget – and will not provide any new money for the second and third largest state imposed mandated programs, EIP and T&E.

Both of these mandate assumptions in the 2012 Dutchess budget relies on the Governor and the local delegation of state lawmakers to enact and adopt state

mandate reform to roll back the state forced spending they demand be included in county budgets.

Absent the promised state mandate relief, the 2012 county budget will likely be short of the necessary monies to continue to provide these state programs through the end of 2012.

These funding levels should be adequate **only if** the promised state mandate relief is forthcoming – but if at year end 2012, the funds in the 2012 Dutchess budget are insufficient and the programs and services need to be suspended or the programs run out of money **all will know it was because the Governor and our state legislators broke their promise to the people of this state.**

Yet, as mentioned earlier, even with our continued commitment to reform, restructure and realign, and even with the anticipated mandate relief included in my budget proposal, we are still forced to include an increased appropriation of fund balance to pay for Albany's state mandated programs.

Appropriation of Fund Balance

Over the years, we have been diligent about protecting the county's financial position and preserving adequate fund balance as a buffer to smooth out financial peaks and valleys, and minimize the impact of recessions. We have generally accomplished that goal over my 20 years as Executive.

This has been no easy task as time and time again New York State has shifted costs to counties, cut state aid reimbursement and failed to provide desperately needed mandate relief. In 2012, the failure of the Governor and State Legislature to provide timely and necessary mandate relief will continue to negatively impact years of prudent planning. Now faced with a property tax cap with no significant state mandate relief from Governor Cuomo or state legislators, as well as escalating costs from the Sheriff's law enforcement and jail operations, we have no alternative but to draw down our fund balance. As I've said before, we cannot and I will not dismantle the important local services our residents need and deserve to pay Albany's out-of-control mandated expenses.

The 2012 budget proposal requires an appropriation of \$24.4 million from the general fund balance and an additional \$2.5 million from the D, E and ET funds to maintain the core services our residents need and expect. This application of fund balance will position the unappropriated fund balance of the county at only 1.3% of budget. Additional reduction, or exposure to the remaining fund balance could put the county at risk in the 2012 fiscal year.

The County Legislature and the next administration must hold Albany lawmakers accountable to provide the long overdue mandate relief which counties need and deserve. Mandate relief will be essential to rebuilding fund balance and positioning county government for future fiscal challenges.

As I reflect on my 20 year tenure as Dutchess County Executive, I am proud of the fiscal stewardship we have been committed to over the years. We have responded to many changes and challenges during this time - from the changing needs of our community to changing economic circumstances. Unfortunately, as shown throughout this document and many other documents that have preceded it, we live under an Albany state government that desperately needs to change, yet continues to bury counties and property taxpayers in a deeper and deeper hole.

We have never been afraid of change in Dutchess County, nor has this administration ever been afraid to make the tough proposals and decisions over the years that are required to make change happen. We have stood up to vocal critics who want to protect their special interests for the present moment but did not want to look ahead to the future. We have been willing to fight the fight to ensure Dutchess County government, and by extension the overall Dutchess County community, remains on a solid foundation to serve the families and businesses of our county. I thank all my partners in these endeavors.

The administration of the 2012 budget will be stewarded by a new County Executive and new members of the County Legislature. It is my hope they will share our steadfast commitment and resolve to not grow county government, but to strengthen it; to not simply throw money at problems, but to invest in community solutions; to not over reach to answer every call, but to balance the needs of the entire community – the Dutchess County community that we value and call home and the community we all want to preserve for generations to come.

My best wishes to the new County Executive and his administration as well as new legislators. **I will share one final thought: It's never quite as easy as it appears!**

We look forward to the 2012 budget process and thank you for your anticipated cooperation.

Sincerely,



WILLIAM R. STEINHAUS
Dutchess County Executive

NOTE: My special thanks to department heads and elected officials for your support and cooperation in the preparation of the 2012 proposed budget. One final personal thanks with my utmost respect and appreciation to my executive and budget staff for your professionalism and dedication. It could not have been done without you. You are an outstanding all star team!