

NEW YORK STATE



DEPARTMENT OF STATE

# LOCAL GOVERNMENT SHARED SERVICES

## PROGRESS REPORT

2005–2007

David A. Paterson, *Governor*

Lorraine A. Cortés-Vázquez, *Secretary of State*



**Lorraine A. Cortés-Vázquez**

## MESSAGE FROM THE SECRETARY OF STATE

Dear Governor Paterson and Members of the Legislature,

As required by State Finance Law Section 54 (10) (o), I am pleased to present the 2008 Shared Services Annual Report, summarizing the implementation of the first three years of the Shared Services program at the Department of State (Department). This program consists of both technical and financial assistance to New York's municipalities. One component of this program has been the Shared Municipal Services Incentive (SMSI) grant program.

Local governments are facing challenges – both structural and economic – that hamper their ability to make good on New York's potential for a future that is both prosperous and sustainable. Local governments recognize the need to modernize through regional collaboration to solve mutual problems. This need for modernization is becoming more evident as all levels of government are assessing how to respond to the emerging difficult economic conditions.

The Shared Services program has enabled numerous municipalities to achieve cost savings through intermunicipal initiatives. The program has also encouraged municipalities to begin the dialogue and build the trust necessary to cooperate with their neighbors.

During the first three years of the Shared Services program, the Department received 768 grant applications requesting over \$143 million, and has awarded 161 grants totaling \$29.8 million. Funds have been awarded to projects as diverse as village dissolutions, consolidation of police services and the development of joint water and waste water infrastructure. By improving the efficiency of delivering public services, these projects are anticipated to save over eight times the amount of the awards granted.

This year, Governor David A. Paterson and the Legislative Committees on Local Government, under the leadership of Senator Elizabeth Little and Assemblyman Sam Hoyt, continued this emphasis on shared services and technical assistance to local governments with the expansion and modification of the SMSI grant program, creating the new Local Government Efficiency (LGE) grant program. LGE grants are available for high priority and general efficiency studies, as well as efficiency implementation projects and projects demonstrating transformative change, such as regional or countywide consolidation of services.

The Department of State is uniquely positioned as a matter of statute, program and organization to provide a long term focus for advancing local government efficiency. The Department is enhancing its organization to ensure local governments have access to all State resources needed to help local governments modernize and increase public service efficiencies.

I am confident the Department of State will continue its excellent record of promoting local cost savings and service efficiencies by providing both technical and financial assistance to our local government partners.

Sincerely,

A handwritten signature in black ink that reads "Lorraine Cortés-Vázquez". The signature is fluid and cursive.

Lorraine A. Cortés-Vázquez

*Secretary of State*





## EXECUTIVE SUMMARY

- The goal of the Department of State's (Department) Shared Services program is to work with New York's local government leaders to develop projects that improve fiscal and operational efficiency of local service delivery.
- Over the three years of the Shared Municipal Services Incentive (SMSI) grant program, the Department received 768 applications requesting \$143.6 million in grant funding. Since 2006, the Department has approved 161 grant awards aggregating \$29.8 million.
- Estimated cost savings from projects initiated in the 2006-2007 and 2007-2008 funding rounds totaled \$245.1 million, and represent an average cost savings of \$8.24 to every grant dollar invested.
- Cost savings based upon grantee estimates exceed eight times the amount of grants awarded. In future years, applicants' actual savings will be compared to projected savings using Office of the State Comptroller (OSC) expense and expenditure codes.
- As a complement to existing staff capabilities, the Department, in conjunction with the Albany Law School, developed a statewide network of academic and other institutions to provide technical assistance and research for the program.
- The Department continues to work and partner with state and federal agencies, New York's municipal associations and regional planning boards to identify all opportunities for program outreach. In 2007, the Department sponsored nine regional partnership network workshops, as well as other regional events to promote the SMSI grant program and provide assistance with the 2007-2008 grant applications. Over 1,000 local government officials attended these events. For the 2008 grant program, the Department has increased the regional workshops to 15 and anticipates an attendance of almost 2,000 interested applications
- Over the course of the program, towns have remained the dominant recipients of grant awards. The majority of grant funds went to upstate municipalities, with projects highly concentrated in the Transportation (highways) and Home & Community Services (utilities) functions.
- The 2008-2009 State Budget appropriated up to \$25.48 million for shared services activities administered by the Department. This included the modification of the SMSI program into the new Local Government Efficiency (LGE) grant program. LGE grants will be available for high priority and general efficiency planning studies, as well for efficiency implementation projects and projects demonstrating transformative change, such as regional or countywide consolidation of services.

### Requirement for this Report . . . . .

Pursuant to Paragraph o (vi), Subdivision 10 of Section 54 of the State Finance Law, the Department of State shall prepare an annual report to the Governor and the legislature on the effectiveness of the shared municipal services incentive program and the local government efficiency grant program. Such report shall be provided on or before October first of each year and shall include, but not be limited to, the following:

- a summary of applications and awards for each grant category
- an assessment of progress in the implementation of initiatives that received grant awards
- estimated financial savings and significant improvements in service realized by municipalities that have received grants
- an evaluation of the effectiveness of regional technical assistance and state agency assistance

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# SHARED SERVICES PROGRAM OVERVIEW

## Legislative History

The Department of State (Department) shares in Governor Paterson’s and the Legislature’s commitment to making New York State as strong and economically competitive as possible. Key to this is reducing the cost to live and to do business here in New York State. One opportunity to reduce costs is to work together to maximize existing resources to provide municipal services more efficiently. Many local governments are reviewing their service delivery systems, setting priorities and determining which services can be provided through arrangements with other local government partners. The Shared Services program at the Department is assisting in these efforts.

Section 54(10) of the State Finance Law, enacted by the Legislature in 2005 established the Shared Municipal Services Incentive program (SMSI), to encourage municipalities to reduce costs through municipal cooperation and consolidation. The SMSI program included a grants program and increased technical assistance capacity within the Department’s Division of Local Government Services, to assist municipalities in New York State seeking to improve fiscal and operational efficiency. The program has been modified every year since 2005, including substantial changes and a re-naming of the incentives program from SMSI to the Local Government Efficiency grant program in 2008.

The Department has a unique and long tradition as a partner with New York’s local governments, see Executive Law §152. Since the 1970’s, this has included providing technical assistance and training to local governments on topics ranging from land use planning to local government administration. In addition to working closely with local governments, the Department trains firefighters, enforces the state building code, and administers the state’s coastal management program to advance our shared goals of an economically competitive and responsive New York. The financial and technical resources available under this program have provided the Department with another important tool to assist local governments.

Municipal cooperation and sharing services is all about partnering for a better New York. It is not a new concept. For more than 40 years, municipal officials in New York have enjoyed broad authority to enter into cooperative intergovernmental agreements. The New York Constitution provides that governments shall have the power to agree, as authorized by the Legislature, to cooperatively provide services.

Clear authority also exists for municipalities to consider and implement municipal consolidations. This includes the consolidation of two or more equal units of local government (town – town, school – school), or the dissolution of a village into a town. Municipal consolidations may eliminate duplicative layers of government, increase the efficiency of service delivery, and reduce taxpayer costs.

Functional consolidation means one municipality completely providing a service and function for another municipality, which no longer engages in that service or function. In this instance, one or more functions or services will be dissolved, resulting in potential taxpayer savings and efficiencies in service delivery.

Shared services occur when two or more local governments work together to provide a service for the benefit of all the municipalities involved. Shared services generally fall into two categories: joint agreements and service agreements. A joint agreement exists when participating local governments share in the provision of a service. A service agreement exists when one local government contracts to provide a service to another local government for an agreed-upon fee. Shared services agreements can form the basis of more extensive cooperative agreements, including functional and municipal consolidation.



Application process



## Shared Services Program History

The Shared Services program has evolved and expanded throughout its existence. This has included annual changes in the Legislative directives on funding priorities and the requirement for the promulgation of Rules and Regulations, pursuant to the State Administrative Procedures Act (SAPA) in three of the four program years. The tendency for program change has continued with the appropriation for 2008-2009, including a re-naming of the Shared Municipal Service Incentive (SMSI) grant to the Local Government Efficiency (LGE) grant program. (The development of Rules and Regulations was also required the 2008-2009 program).

The program was initiated in the 2005 New York State Budget with a \$2.55 million appropriation for competitive grant awards and \$200,000 appropriation for administration of the program by the Department. The notice of funding for the first round was released on November 21, 2005, with an application deadline of January 13, 2006. Twenty-two awards were announced on August 21, 2006, with a total grant amount of \$2.446 million. The approval of the Department's procurement process was received from the Office of the State Comptroller (OSC) on January 10, 2007.

The grant program was expanded in State Fiscal Year (SFY) 2006, with \$13.7 million appropriated for competitive grants to local municipalities and an additional \$1.3 million for administration, state agency assistance and regional technical assistance, including an appropriation for a contract with Albany Law School. Funding for four competitive grant categories was established as follows:

- \$4.5 million for Shared Municipal Services Incentives
- \$3.85 million for Shared Highway Services Incentives
- \$4.35 million for Health Insurance Incentives
- \$1 million for Countywide Shared Services Incentives

The grant solicitation was released on August 31, 2006 with a deadline of October 23, 2006. Review of the applications for the Shared Municipal Services and Shared Highway Services categories was completed on November 29, 2006 and an announcement of 60 awards was made on December 28, 2006, for a total grant amount of \$11.451 million. (After the announcement, a \$298,454 project was declined by the applicant.) The announcement of seven additional projects was made on May 9, 2007, with additional grant amounts totaling \$1.222 million. The approval of the Department's procurement process was received from the Office of the State Comptroller (OSC) on June 5, 2007 and contracts were sent to successful applicants on June 15, 2007.

On August 1, 2007, the Department was able to re-release \$1.325 million of unallocated Health Insurance Incentive funds. The deadline for submission of new applications for these funds was October 1, 2007. There was a high level of interest in this re-release of funds, from both original unsuccessful applicants, as well as from new applicants. An additional six awards were announced by the Secretary of State on January 24, 2008, with grant amounts totaling \$1.325 million.

The SMSI grant program was continued in SFY 2007, with an additional \$13.7 million appropriated for competitive grants to local municipalities and \$1.3 million for administration and regional technical assistance. While there were no specific grant categories like the previous year, the new program language did include the following six priority funding areas:

1. A city, town or village that qualifies for additional State aid under the Aid and Incentives for Municipalities (AIM) program because they meet fiscal distress criteria used to determine AIM funding levels.
2. Plan or implement the consolidation, merger or dissolution of municipalities.
3. Share services between school districts and other municipalities, including applications submitted by boards of cooperative educational services.



*Oswego City Hall*



*Batavia City Hall*



4. Share highway services, including joint highway equipment purchases, capital improvements that benefit two or more municipal highway departments, contractual services between two or more municipal highway departments or for the consolidation of two or more municipal highway departments.
5. Consolidate health benefit plans offered by two or more municipalities.
6. Encourage countywide shared services, where a county develops a countywide shared services plan under which municipalities in such county agree to participate in shared services, including, but not limited to, public safety, purchasing, payroll, and real property tax assessment.

The grant solicitation went out on August 29, 2007 with a December 14, 2007 deadline. An announcement awarding 67 grants was made by the Governor on May 1, 2008, for a total grant amount of \$13.695 million. Approval of the Department of State's procurement process for successful applicants was received from the OSC on August 5, 2008.

## PROGRAM ACCOMPLISHMENTS

### Applications Received

Applications	SFY 2005	SFY 2006	SFY 2007
Total Number	<b>266</b>	<b>261</b>	<b>241</b>
Consolidation	12.9%	12.6%	7.5%
Shared Services	76.5%	79.7%	91.7%
Combination	10.6%	7.7%	0.8%
\$ Amount	\$34.6M	\$57.3M	\$51.7M



Saratoga Springs City Hall

During the first year of the grant program, the Department received 266 applications for \$34.6 million in grant funding. The number of applications remained steady in SFY 2006, but the amount of grant funding requested increased to \$57.3 million, reflecting larger individual grant requests. The number of applications and amounts requested declined slightly in SFY 2007. Over the course of the program, the percentage of applications for consolidation projects has fallen, while the percentage for shared services has correspondingly increased.

After the initial year of applications, it became clear that there was an expanding role for the Division of Local Government Services staff to provide additional focused technical assistance to both new and returning applicants. This focused technical assistance has helped to produce higher quality applications and has become increasingly important as staff continues to implement the yearly changes made to the program.

### Grants Awarded

#### Consolidation (Municipal & Functional):

Grants (\$ millions)	SFY 2005	SFY 2006	SFY 2007
Projects	9	15	15
Amount	\$.500	\$1.894	\$1.921
Estimated Savings	N/A	\$29.490	\$13.588
Savings/SMSI Ratio	N/A	15.6/1	7.1/1

Grants awarded for consolidation projects, both municipal and functional, rose from nine projects totaling \$500,000 in SFY 2005 to fifteen projects totaling \$1.89 million in SFY 2006. The number of consolidation projects remained the same in SFY 2007, at fifteen projects totaling \$1.92 million. Estimated savings from municipal and functional consolidations declined from \$29.5 million in SFY 2006 to \$13.6 million in SFY 2007. Estimates of cost savings were not required in the first year of the program.

**Shared Services:**

Grants (\$ millions)	SFY 2005	SFY 2006	SFY 2007
Projects	13	57	52
Amount	\$1.946	\$11.728	\$11.774
Estimated Savings	N/A	\$130.930	\$71.139
Savings/SMSI Ratio	N/A	11.2/1	6.0/1

Grants awarded for shared services projects rose from thirteen projects totaling \$1.9 million in SFY 2005 to fifty-seven projects totaling \$11.7 million in SFY 2006. The number of shared services projects declined slightly to fifty-two in SFY 2007, although the amount requested was nearly identical at just under \$11.8 million. Estimated savings from shared services declined from \$130.9 million in SFY 2006 to \$71.1 million in SFY 2007.

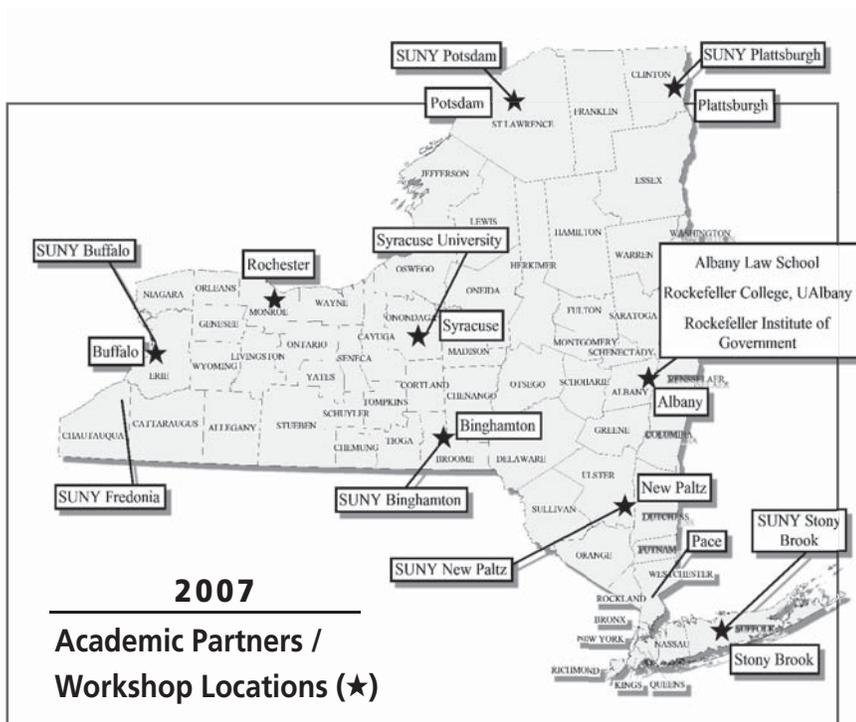
**Outreach and Technical Assistance**

Due to increased appropriations for technical assistance, the Shared Services Unit staff increased from three full-time positions at the start of the program, to eight positions by December 2007. This increase in program personnel has provided more resources for local government outreach and technical assistance efforts, as well as enhanced contract monitoring. This enhanced communication with applicants and program contractors, including site visits, has resulted in an increased level of project progress and contract reimbursements. The Department continues to host a website with a link to information about the Shared Services program. This information includes publications about shared services, examples of intermunicipal agreements, case studies of shared service projects, a listing of all of the grant awards and links to other information such as the NYS Legislative Commission on State-Local Relations' 'Legal Framework for Providing Local Government Services.' Since 2005, the Shared Services section of the website has received almost 2.5 million "hits".

In the 2006-07 New York State Budget, money was allocated to the Department of State for "regional technical assistance." As required by legislation, the Department contracted with the Government Law Center of Albany Law School for \$600,000 to "provide regional technical assistance through academic institutions relating to consolidations, mergers, dissolutions, cooperative agreements and shared services".

The Government Law Center of Albany Law School has been a valuable partner in developing shared services technical assistance and facilitating communication on municipal collaboration and consolidation. Under this contract, technical assistance included the following:

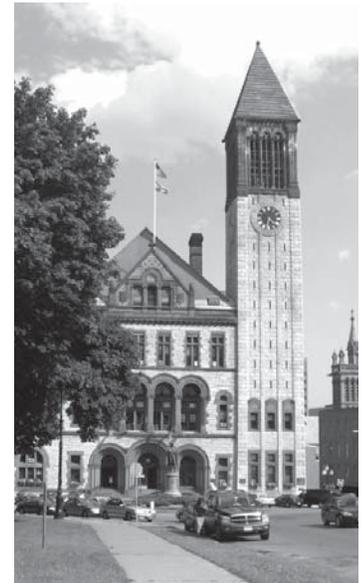
- Development and integration of a highly interactive statewide network of academic and other institutions (Partnership Network) to provide technical assistance and research for the program.
- Case studies of shared services agreements, other cooperative arrangements, and mergers and consolidations, to examine factors contributing to the success or failure of shared services initiatives.
- Creation of a technical assistance manual, including information gathered from the case studies, a review of the legal framework for consolidation and shared services, and examples of successful projects.





- Initiation of issue specific research, such as development of technical assistance for consolidation of police and highway services and creation of program metrics to better analyze and assess the effectiveness of cooperative efforts.
- Development of regional training conferences in collaboration with the Partnership Network to promote the Shared Service program and assist prospective applicants with the 2007-2008 application round. Following is the conference schedule and Partnership Network sponsors for the training conferences held in the fall of 2007:

Place	Date	Sponsors
Plattsburgh	9/11/07	• SUNY Plattsburgh • Plattsburgh North Country Chamber of Commerce
Buffalo	9/21/07	• SUNY Fredonia • University at Buffalo
Rochester	9/25/07	• Department of State
Albany	10/04/07	• Government Law Center of Albany Law School • Rockefeller Institute • Rockefeller College
New Paltz	10/05/07	• SUNY New Paltz • Pace University
Potsdam	10/09/07	• SUNY Potsdam
Syracuse	10/17/07	• Syracuse University • Greater Syracuse Chamber of Commerce • Syracuse 20/20
Binghamton	10/18/07	• Binghamton University
Stony Brook	11/05/07	• Stony Brook University



Albany City Hall

## GRANTEE CHARACTERISTICS & OUTCOMES

### Grantee Characteristics

#### Type of Municipality:

Municipality	Percentage of Funds Awarded		
	SFY 2005	SFY 2006	SFY 2007
County	2.7	25.4	26.5
City	11.4	11.6	11.6
Town	58.0	39.1	39.3
Village	16.8	9.7	17.8
School District	11.1	11.3	2.7
BOCES	N/A	N/A	1.9
Other	0	2.9	0.2
Total	100.0	100.0	100.0

The SMSI program was initially available to counties, cities, towns, villages and school districts. In SFY 2006, the program was expanded to include special improvement districts, such as sewer and water districts, and fire districts. An additional applicant, boards of cooperative educational services (BOCES), was added for the SFY 2007 grant round. Over the term of the program, towns have remained the dominant recipients of grant awards. The proportion of grants going to cities have remained relatively constant, whereas grants to school districts have decreased over time. Grants to BOCES and special improvement districts represent only a small proportion of awards granted.

**Regional Distribution:**

Region	Percentage of Funds Awarded		
	SFY 2005	SFY 2006	SFY 2007
Western	36.4	30.9	19.2
Finger Lakes	7.3	22.9	25.2
Central	10.5	4.6	17.3
North Country	25.4	27.7	17.8
Hudson Valley	5.7	5.6	18.6
Long Island / Metro	14.7	8.3	1.9
Total	100.0	100.0	100.0

The SMSI grant program identified six grant regions encompassing all of New York State. Four regions, Western New York, Finger Lakes, Central New York and the North Country, are in “upstate” New York. The remaining two regions, Hudson Valley and Long Island/Metro, are “downstate”. In each of the three program years, the vast majority of grant funds went to upstate municipalities, ranging from 80% in each of SFY 2005 and SFY 2007 to 86% in SFY 2006. This pattern largely reflects the distribution of applications, of which 69% came from upstate communities. In upstate New York, regional concentration of grants has shifted from Western New York and the North Country to the Finger Lakes and Central New York. In downstate New York, the shift has been from Long Island/Metro to the Hudson Valley. The 2007 grant year found a more uniform distribution of grant applications for all but the Long Island/Metro area, which was 25-30% of the other regions. This distribution of applications may be attributed to the Department’s extensive statewide outreach.

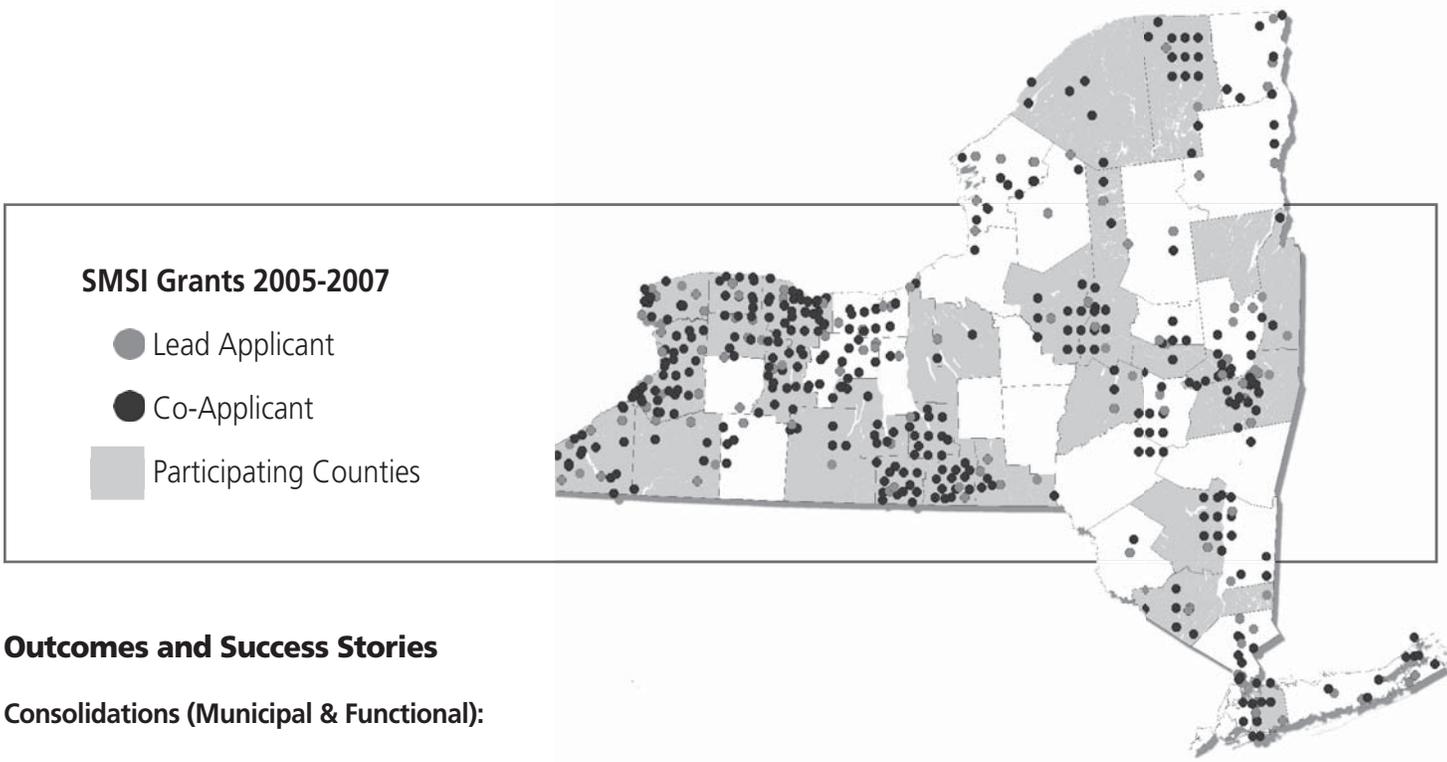


Newcomb Central School

**Functional Category:**

Functional Category	Percentage of Funds Awarded		
	SFY 2005	SFY 2006	SFY 2007
General Government Support	16.0	7.6	1.5
Education	0	0.4	1.9
Public Safety	3.7	12.7	7.4
Health	0	0	0
Transportation	30.2	29.4	54.9
Economic Assistance	0	0	0
Culture-Recreation	0	5.8	1.0
Home & Community Services	39.7	30.9	27.9
Undistributed	0	12.0	1.2
Municipal Consolidations	10.4	1.2	4.2
Total	100.0	100.0	100.0

Municipal expenditures are categorized by the Office of the State Comptroller (OSC) into nine functional categories. In addition to these nine functional categories are municipal consolidations, which are in effect a consolidation of all municipal functions. In each of the three program years, projects were highly concentrated in the transportation and home & community services functions. In SFY 2007, 83% of all grants went to projects in these two categories. In SFY 2006, shared health insurance initiatives resulted in a large increase in the undistributed functional category, which includes employee benefit accounts. This increase may be accounted for by Health Insurance being a separate category of grants as per the legislation in 2006. Home and community services projects, primarily sewer and water infrastructure projects, have declined in relative concentration, whereas transportation projects, primarily highway projects, have increased. This may reflect the comparative ease with which departments of public works and highway departments enter into shared services agreements, many of which existed on an informal basis prior to obtaining a SMSI grant. The formalization of such agreement locks in the savings and allows for permanency and predictability.



**Outcomes and Success Stories**

**Consolidations (Municipal & Functional):**

**Town of Evans & Village of Angola**

Project Cost	SMSI Grant	Estimated Savings/SMSI Ratio
\$139,747	\$125,772	12.3

The Town of Evans and Village of Angola in southwestern Erie County received an SMSI grant to consolidate their police departments. The project will result in the reduction of costs for police services currently duplicated by the two local governments, as well as providing enhanced services to Village and Town residents. The Village agreed to terminate its police department, transfer two police vehicles to the Town. To assist with the initial transitional costs, the Village agreed to pay the Town \$20,000 a month for a three-month period, the remainder of the Town’s fiscal year. In turn, the Town agreed to hire and re-train three Village police officers and create a dedicated policing zone within the geographic limits of the Village. As of January 1, 2008, the Town assumed all responsibility for providing police services, eliminating \$350,000 from the Village’s annual budget.



Town of Evans and Village of Angola shared police services

**Town of Speculator**

Project Cost	SMSI Grant	Estimated Savings/SMSI Ratio
\$33,000	\$29,700	9.2

The Village of Speculator, incorporated in 1925, is located in the Town of Lake Pleasant in Hamilton County. In recent years, local businesses have declined and the population has dwindled. Second home owners have moved into the community and the local economy has become increasingly dependent on tourism. In 2006, residents of the Village of Speculator petitioned the Board of Trustees to dissolve the Village due to concerns over rising property taxes and government inefficiency. According to New York State law, the petition mandated the Village to study the issue and take it to a vote. With money for planning from the SMSI program, the Board hired a consultant to study the implications of dissolution and to review other options, such as sharing services with the Town. The study determined that dissolution would reduce combined Town and Village general expenditures by 2.2% and sewer and water charges by 4.5%. The study also identified areas where the two municipalities could instead share services without undertaking a full dissolution. On March 18, 2008 Village residents voted down the proposal to dissolve the Village. The Department continues to work with the Village and the Town to explore opportunities to share services identified in the study.

**Village of Pike**

Project Cost	SMSI Grant	Estimated Savings/SMSI Ratio
\$93,000	\$83,700	1.9

The Village of Pike, incorporated in 1848, is located within the Town of Pike in Wyoming County. In recent decades, the Village has suffered the loss of industry and residents, resulting in cost inefficiencies and difficulty finding citizen participation in local government. The Board applied for and obtained an SMSI grant to determine the feasibility of dissolving the Village and the benefits that accrue to the community by doing so. The study determined that post-dissolution tax rates would be 4.7% lower in the Village and 5.3% lower in the Town outside of the Village. According to the dissolution study, the general consensus among Village residents was that the Village was an outdated form of government and should be dissolved. In addition, dissolution would remove the burden of running the Village from local residents. Based on this study the Village Board adopted the dissolution plan and sought voter approval by permissive referendum. At the general election held on March 18, 2008, residents voted to dissolve the Village by a margin of 86% to 14%, with a total of 36 people participated in the vote. Pursuant to New York State Village Law, the Village of Pike will officially dissolve on December 31, 2009.

**Shared Services:**

**Schuyler County**

Project Cost	SMSI Grant	Estimated Savings/SMSI Ratio
\$571,025	\$100,000	6.0

Schuyler County, the Watkins Glen Central School District, the Towns of Hector and Dix, and the Village of Watkins Glen formed a partnership to develop a central records management facility within the County. The need for increased space for record storage and management in the existing unallocated space in the former transportation garage at the School District created an opportunity to forge a cooperative agreement among the municipal partners. The School District dedicated 6,800 square feet of the 11,000 square foot garage for record storage and management. The space has been retrofitted to accommodate the new facility, which will be maintained and staffed under the terms of an intermunicipal agreement. Several part-time positions have now been consolidated into a single, full-time records officer, responsible for all records of the participating municipalities.

**Town of Cape Vincent & Village of Cape Vincent**

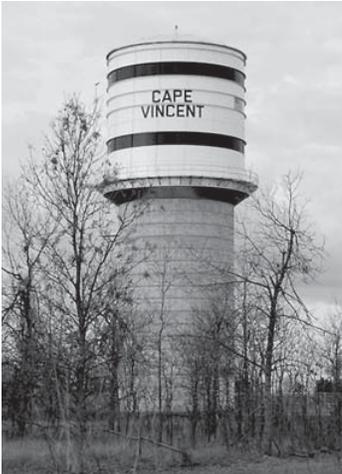
Project Cost	SMSI Grant	Estimated Savings/SMSI Ratio
\$5,962,451	\$400,000	4.0

Residents of the Town of Cape Vincent in Jefferson County had inadequate and unsafe water supplies, necessitating the creation of a new water district. At the same time, the Village was considering a project to increase its water plant capacity by repairing or replacing its water storage tank. SMSI funds were leveraged with a loan from the Environmental Facilities Corp.'s New York State Drinking Water Fund to purchase and build a new 500,000-gallon water tank to serve both municipalities. The single tank created efficiencies by saving the \$1 million cost of constructing two separate tanks for the Village and Town water districts, and by reducing the average cost per household in the water districts by approximately \$200 per annum. In addition to the existing users the project serves 162 new residences and four commercial properties. In 2007, it was recognized by the Central New York Branch of the American Public Works Association as an environmental "Project of the Year".

**Town of Ripley & Village of Westfield**

Project Cost	SMSI Grant	Estimated Savings/SMSI Ratio
\$102,500	\$92,250	2.7

The Town of Ripley and Villages of Westfield and Sherman in southwestern Chautauqua County received an SMSI grant to jointly purchase sewer line cleaning equipment. This would allow the municipal partners to maintain their wastewater treatment systems in compliance with State and Federal regulations and recom-



Town of Cape Vincent and Village of Cape Vincent shared water tower



Town of Ripley and Villages of Westfield and Sherman shared wastewater services.



mendations. Previously, each municipality had to rent or lease such equipment at considerably greater collective cost than sharing a single piece of equipment. In addition, the partners will be better able to respond to emergency situations. After the award was granted, the partners concluded that a more capable device than originally contemplated would better suit their needs and they agreed to share the additional cost.

**Town of Eden & Towns of Brant, Collins, North Collins and Villages of Angola & North Collins**

Project Cost	SMSI Grant	Estimated Savings/SMSI Ratio
\$631,000	\$571,000	N/A SFY 05 Grant

The Town of Eden, in conjunction with five municipalities in southwest Erie County, partnered with Erie County Water Authority (ECWA) to develop a regional solution to the problem of an inadequate water supply. SMSI funding is providing \$571,000 to develop the Southwest Erie County Regional Water Plan, which will assist these municipalities to resolve an ongoing regional water problem by making high quality water available for the participating communities. This large intermunicipal project includes the preparation, adoption and filing of the map, plan and report required for what will be a multi-million dollar capital investment. In addition, the adoption of a lease management agreement with ECWA and the formation of new water districts in the involved town are required. Federal and state approvals, including State Environmental Quality Review, and the development of intermunicipal agreements for shared debt management and maintenance costs are also needed to complete this project.



Glen Cove City Hall and Courthouse

One initial success of this project is a \$4.2 million commitment from the United States Department of Agriculture Rural Development to extend an existing pipeline into the Town of Eden to provide adequate quality potable water for the Town.

## FINANCIAL MEASUREMENTS

### Planned vs. Actual Expenditures

Financial Status as of August 31, 2008		Appropriation	Grants Awarded <sup>1</sup>	Grants Encumbered	Funds Expended/Reimbursed	Contracted Balance	Balance <sup>2</sup>
<b>Grants</b>	SFY 2005	2,550,000	2,446,121	2,346,122	865,170	5,773,874	203,878
	SFY 2006	13,700,000	13,622,648	11,352,220	4,908,704	6,443,516	2,347,780
	SFY 2007 <sup>3</sup>	13,700,000	13,695,461	-0-	-0-	-0-	13,700,000
	<b>Totals</b>	<b>29,950,000</b>	<b>29,764,230</b>	<b>13,698,342</b>	<b>5,773,874</b>	<b>7,924,468</b>	<b>16,251,658</b>
<b>Administration &amp; Technical Assistance<sup>4</sup></b>	SFY 2005	200,000	—	—	200,000	—	-0-
	SFY 2006	—	—	—	—	—	—
	DOS	580,000	—	—	—	—	580,000
	Other Agencies	120,000	—	—	—	—	120,000
	Albany Law School	600,000	—	600,000	521,838	78,162	-0-
	SFY 2005	1,300,000	—	—	380,249	—	919,751
	<b>Totals</b>	<b>2,800,000</b>	<b>—</b>	<b>600,000</b>	<b>1,102,087</b>	<b>78,162</b>	<b>1,619,751</b>

<sup>1</sup> The Shared Services grant program funding is provided to municipalities on a reimbursement basis. After funding is awarded and contracts are approved each contracting municipality may submit for funding once every 30 days, up to and including 90% of the original award. To receive the final 10% a municipality must provide program staff with documentation of the completed project.

<sup>2</sup> The Balance includes funds that have been returned from completed projects, awards that have not been encumbered by contracts, as well as uncommitted funds.

<sup>3</sup> The SFY 2007 contracts were mailed to awardees on August 15, 2008.

<sup>4</sup> \$700,000 of the SFY 2006 funds and \$1,080,000 of the SFY 2007 funds have not been sub-allocated to the Department of State as of yet.

## Status of Grant Contracts

Total Funds (%)	SFY 2005		SFY 2006		SFY 2007	
	Number	% of Funds	Number	% of Funds	Number	% of Funds
Withdrawn by Applicant	1	4.1	1	0.2	0	0
Closed	4	25.6	17	23.0	0	0
Active in Contract	17	77.3	42	58.5	0	0
Not in Contract	0	0	12	18.3	67	100.0
Total	22	100.0	72	100.0	67	100.0



Conklin Town Hall

All accepted SFY 2005 grants funds have been put into contract, with 25.6% of the contracts closed out. One award, in the amount of \$100,000, was withdrawn by the applicant due to an unsuccessful referendum. As a consequence of the launch of the new program and deployment of resources, contracts for SFY 2005 awards were not released until the fourth quarter of SFY 2006, which accounts for the relatively low number of closed contracts and funds disbursed as compared with the subsequent round. Since funding is provided on a reimbursement basis, the amount of funds disbursed does not necessarily reflect the amount of work on projects that has been completed.

Contract closings and disbursement of funds have been relatively faster in the SFY 2006 round due to better familiarity with the program and staff additions. Of the total funds awarded in the second round, 18.3% are not yet in contract, including six Health Insurance Re-Release contracts which did not receive procurement approval until March 18, 2008, and 23% have been closed out. One award in the amount of \$28,350 was declined by the applicant. The SFY 2007 contracts were distributed on August 15, 2008, following approval of the procurement record by the OSC on August 5, 2008.

## Measurement of Cost Savings from SMSI Grant Program

Grants (\$ in millions)	SFY 2005	SFY 2006	SFY 2007
Number of Awards	22	72	67
Amount Awarded	\$2.446	\$13.622	\$13.695
Estimated Total Savings	N/A	\$160.420	\$84.727
Savings/SMSI Ratio	N/A	11.78/1	6.19/1

The first year of the SMSI program required no estimates of cost savings from applicants. In an effort to obtain additional fiscal information, the Department requested that applicants estimate cost savings over a five-year time period for each of SFY 2006 and 2007 funding rounds. Savings could include efficiencies gained from sharing services, such as staffing reductions, sale of surplus equipment and lowered occupancy costs, but could not include the amount of the grant. Applicants were then asked to total the five-year savings estimates and divide the result by the amount of the requested grant to get a savings to SMSI grant ratio.

In the SFY 2006 funding round, grantees estimated that they would save an aggregate \$160.4 million, resulting in a savings/SMSI grant ratio of 11.78. In other words, for every \$100 in SMSI funding, grantees estimated that they would achieve \$1,178 in savings in the delivery of municipal services. In the SFY 2007 round, grantees estimated they would save an aggregate of \$84.7 million, resulting in a savings/SMSI grant ratio of 6.19. To ensure that this grant program is living up to the original purpose of the program the Department of State will monitor the cost savings over time.

For SFY 2008, the estimated cost savings will be directly related to each grantee's existing annual budget, using standardized OSC functional expense and expenditure codes. Savings will be classified as either temporary (non-recurring) or permanent (recurring). Permanent savings will be capitalized to establish a current value and added to temporary savings to determine total cost savings. This figure can then be divided by the amount of the grant to determine the estimated return on grant funds. At the end of each project, grantees will be required to report actual savings achieved using the same budget format contained in the original application. If the cost savings have not yet been realized and are not captured in a grantee's most recent budget, the grantee may revise the original estimate to reflect more recent information.



# LOCAL GOVERNMENT EFFICIENCY (LGE) PROGRAM

## LGE Grant

New York State's and the Department's commitment to shared services initiatives continues into the 2008-2009 Budget year with appropriations for the Local Government Efficiency (LGE) grant program. For Fiscal Year 2008-2009, the State Budget appropriated up to \$29.4 million for grants and implementation activities under the LGE grant program. Of this amount, \$3.92 million is available for a municipal merger incentive for eligible municipalities and is administered directly by the Division of Budget under the Aid and Incentives to Municipalities (AIM) program. Up to \$25.48 million was authorized for direct assistance to local governments through grants and technical assistance and outreach.

Although the LGE grant program is similar in many respects to its predecessor, SMSI, new features include more readily available funding for grants for municipal consolidations, funding of transitional personnel costs under certain circumstances, and the availability of demonstration grants for large transformative projects. Local governments may still apply for studies and implementation efforts that they design.

There is also a change to the amount available per grant application. Where the SMSI program provided a maximum award of \$200,000 per municipality, the LGE awards will vary by application category. All grants will still require a cost share equal to ten percent of the total cost of activities approved by the Secretary of State.

The following is a comparison of the LGE and SMSI grant programs and a description of the new grant categories:

2007-2008 SMSI Program		2008-2009 SMSI Program	
Shared Municipal Services INcentive Grants	\$13.7 M	\$4.9 M	High Priority/General Efficiency Planning Grants
		\$9.8 M	Efficiency Implementation Grants
		\$8.33 M	21st Century Demonstration Grants
Administration & Technical Assistance	\$1.3 M	\$2.45 M <sup>1</sup>	Administration and Technical Assistance
Total Program	\$15.0 M	\$25.48 M	Total Program

<sup>1</sup> According to the Division of Budget, this figure has been reduced to \$1 M.



Woodstock Town Hall

## High Priority Planning Grants

High Priority Planning Grants are grants for specific high-priority actions that are identified in statute or by the Secretary of State, intended to initiate activities identified as having great potential for cost savings or structural change. Plans for a city or county charter revision, municipal mergers, consolidations or dissolutions, countywide shared services/transferring functions, and multi-county or regional services are eligible activities. To be eligible, charter revisions are required to increase shared services or involve functional consolidation and likely result in financial savings upon implementation. The maximum grant award is \$50,000 and may vary by type. High Priority Planning Grants are noncompetitive and will be reviewed monthly until March 2009.

## General Efficiency Planning Grants

General Efficiency Planning Grants are competitive planning grants similar to those awarded under the SMSI program. The maximum award is \$25,000 plus an additional \$1,000 per municipality up to \$35,000. The highest priority will be given to projects that would result in the complete functional consolidation of a municipal service. Priority will also be given to applications that meet three fiscal distress indicators listed by the Division of Budget under the Aid and Incentives to Municipalities (AIM) program, the consolidation of municipal health plans and contractual services between or the consolidation of two or more highway

departments. As with High Priority Planning Grants, studies are required to examine financial savings and management improvements.

**Efficiency Implementation Grants**

Efficiency Implementation Grants are competitive implementation grants most similar to those awarded under the SMSI program. Under this grant, as with the SMSI program, the maximum award is \$200,000 per municipality, with a maximum total of award of \$1 million. Highest priority is given to implementing the merger, dissolution or consolidation of municipalities or implementing a functional consolidation. Priority is also given to municipalities that have completed a planning grant under the SMSI program or similar grant, municipalities that will consolidate health benefit plans in two or more municipalities, for contractual services between or the consolidation of two or more highway departments, or to municipalities that meet three fiscal distress indicators listed by the Division of Budget under the Aid and Incentives to Municipalities (AIM) program. Capital improvements, transitional personnel costs, and joint equipment purchases are eligible where the expenses are integral to coordinated or consolidated service delivery.



Peru Town Hall

**21st Century Demonstration Projects**

21st Century Demonstration Projects are designed to promote large-scale transformative change in municipalities that can be used as living laboratories for municipal innovation. The maximum grant award is \$400,000 per municipality. Similar to the Efficiency Implementation category, capital improvements, transitional personnel costs, and joint equipment purchases may be funded where the expenses are integral to coordinated or consolidated service delivery. The plan for distribution and approval of these grants was approved by the Division of Budget and provides for the following individual categories and limits of funds available in each category.

Award Amounts	
Type of 21st Century Project	Maximum Award Amount
Consolidation of School District Support Services	\$400,000 per BOCES plus \$50,000 per co-applicant school district within that BOCES, not to exceed \$1,000,000
Consolidation of Multiple Police Forces	\$600,000 per application plus \$50,000 for each participating county/city/town/village/police district not to exceed \$1,000,000
Consolidation of Multiple Fire Organizations	\$350,000 per application plus \$20,000 for each participating fire district and \$50,000 for each participating (all or mostly) career fire department, not to exceed \$1,000,000
Creation of Regional Smart Growth Compacts	\$200,000 per application plus \$50,000 for each participating city/town/village having a population in excess of 30,000 and \$25,000 for each participating city/town/village with a population of 30,000 or less, not to exceed \$800,000.
Consolidation of Services on a Multi-County Basis	\$400,000 per county, not to exceed \$1,000,000
Creation of a Regional Entity Providing Multiple Functions	\$500,000 per application
Creation of a Regional or City-County Consolidated Government	\$800,000 per application

**Outreach and Regional Technical Assistance**

The SFY 2008-2009 LGE program budget originally provided \$2.45M to support technical assistance and administration of the grant program. To ensure consistency in the SMSI/LGE program, the Department will endeavor to continue the existing relationships with the Government Law Center and the Partnership Network. Based upon each year’s final allocated resources, the Department will continue to expand its technical assistance and outreach capacity by developing case studies, training manuals and other materials to help local government officials understand and evaluate shared services opportunities.



## DOS ENHANCED LOCAL GOVERNMENT ASSISTANCE

The new Office of Coastal, Local Government and Community Sustainability was created to enhance the Department's focus on delivering services to modernize local governments, revitalize and restore communities and natural resources, and increase communities' access to State resources.

Aligning the technical assistance, grant and planning programs of the Divisions of Local Government, Coastal Resources and Community Services in the new Office increases the Department's ability to foster efficient and vital communities and ecosystems. Aligning these divisions expands opportunities for focused grant making and more comprehensive assistance to local governments to support economic revitalization, environmental protection, and modernization. This Office also coordinates and facilitates access to related programs offered by other agencies. This unified approach to expertise, information and grants will be reflected in training materials, web access and other service delivery mechanisms. An important function of the new Office is research and development of programs and techniques to implement local government modernization, Smart Growth and Ecosystem-based Management.

In addition to the Shared Services program, other existing programs in the Office that contribute to enhanced Department local government assistance include:

### **Appalachian Regional Commission**

The Appalachian Regional Commission is a Federal, State and regional partnership established to help improve the economy and quality of life in the Appalachian region of the Southern Tier of New York. The program supports a regional framework for the delivery of local government services.

### **Brownfield Opportunity Areas Program**

The Brownfield Opportunity Areas Program implements the brownfields reuse and redevelopment planning elements of the New York State Superfund/Brownfields Law of 2003, providing communities with the economic and land use analyses to design and implement regional, areawide redevelopment plans to return brownfields to productive uses.

### **Coastal Management Program**

The Coastal Management Program implements the federal Coastal Zone Management Act of 1972, as amended, and the New York State Waterfront Revitalization of Coastal and Inland Waterways Act, as amended. Federal government activities affecting the coast must be consistent with the program's coastal policies with respect to coastal location and the impact of the activity on the local and regional economy, water quality, animal and plant species and land use.

### **Coastal Hazards Program**

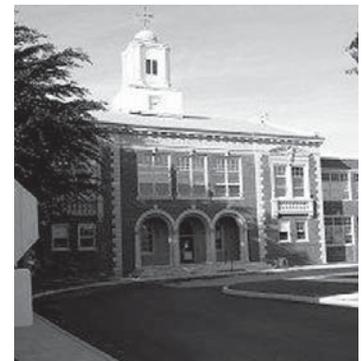
The Coastal Hazards Program reduces impacts of severe coastal erosion and flooding on areawide communities and residents. The program has a major role in key actions including development of regional strategies to address sea level rise and Great Lakes water level changes, development of disaster resilient communities, and modifying the economic basis for shore improvement projects affecting communities.

### **Community Services Program**

The federally funded Community Services Program enables individuals and families to attain the skills, knowledge and opportunities needed to achieve maximum potential and sustainable self-sufficiency. This work is implemented through 45 community action agencies, six community action programs, one migrant and seasonal farm worker organization, four Indian tribes and one statewide community-based organization.

### **Downtown and Mountain Communities Program**

The Downtown Program assists communities to develop revitalization strategies for their downtowns, while the Mountain Communities Program helps communities to produce comprehensive, locally driven programs to promote resource protection and economic revitalization in communities in the Adirondack and Catskill Parks.



*Brockton Central Schools*

**Harbor Management Program**

The Harbor Management Program works with local governments to develop and implement management plans that identify appropriate surface water uses and establish standards and guidelines to resolve use conflicts and competition for resources and space.

**Local Government Training and Community Education**

The training program provides on-site and online training in land use for local government officials.

**Local Waterfront Revitalization Program**

The Local Waterfront Revitalization Program encourages communities to develop voluntary, community-driven land and water use programs to set forth design, land use and environmental standards for all development and uses along a community's waterfront. Local programs bind federal, state and local agency approvals, direct actions and spending to the adopted programs.

**New York State Coastal Resources Interpretive Program**

The New York State Coastal Resources Interpretive Program provides guidance and direction to municipalities on interpreting waterfront and coastal resources through a unified interpretive signage system.

**New York State Water and Sewer Infrastructure Co-Funding Initiative**

Six state agencies and one federal agency coordinate funding programs to facilitate local government financing of sewer and water infrastructure. Intermunicipal cooperation is encouraged to promote cost savings and service efficiencies.

**Ocean and Great Lakes Ecosystem Conservation Program**

This program staffs the New York Ocean and Great Lakes Ecosystem Conservation Council, which is charged with making recommendations on how ecosystem-based management can be integrated into state agency funding activities, decision-making, and executive and legislative actions. Recommendations will encourage inter municipal involvement of local governments on large ecosystem basis.

**Regional Coastal Management Programs**

Regional Coastal Management Programs have been developed to reflect the unique economic, environmental and social needs and priorities of Long Island's north and south shores and New York City.

**Scenic Areas of Statewide Significance Program**

Scenic Areas of Statewide Significance protects New York's areas of outstanding scenic quality by rigorously evaluating the scenic quality of an entire coastal region to identify what portions should be designated. Designation provides special protection to the landscapes during permit and approval processes, and local governments that prepare Local Waterfront Revitalization Programs.

**Significant Coastal Fish and Wildlife Habitats Program**

Significant Coastal Fish and Wildlife Habitats protect New York's most important 250 coastal habitats. Impact assessment information on the 250 designated habitat areas is used in permit processes to evaluate whether proposed actions would significantly alter or destroy a designated habitat.

**Smart Growth Cabinet**

The Office works with State agencies and local governments to carry out the vision of the Governor's Smart Growth Cabinet, established by Executive Order. Smart Growth, shared services and inter municipal cooperation are key components in promoting sustainable communities.

**Statewide Watershed Program**

The Statewide Watershed Program provides technical expertise to local governments and community organizations to collaboratively prepare and implement detailed plans to reduce nonpoint source water pollution and protect water quality. These regional, inter municipal plans result in community consensus on an implementation strategy that prioritizes specific actions to control nonpoint source pollution.



### **Watershed Protection and Partnership Council**

The Council provides a regional forum to aid the long-term protection of New York City's drinking water, the social and economic vitality of the communities in the Watershed, and the quality and quantity of drinking water sustaining those communities.

## **CONCLUSION**

The Department's Shared Services program has made substantial progress to improve local government fiscal and operational efficiency:

- Municipalities anticipate savings of \$245,147,000 over the next five years resulting from the \$29.8 million invested by New York State in local government efficiency...an 824% return;
- Since 2006, \$29.8 million have been awarded through 161 grants to municipalities;
- Technical assistance and outreach capacity has been increased in the Department;
- The Department and the Albany Law School have developed a statewide network of institutions to augment Department efficiency assistance and research capacity; and,
- The Department's new Office of Coastal, Local Government and Community Sustainability will strengthen the Department's ability to deliver services to modernize local governments.

In the future, the Shared Services program will continue to build upon the progress made during the last three years. The Department, in cooperation with its local government and State agency partners, will continually seek and implement measures to increase effectiveness of the program. The Department will also identify additional opportunities for local governments to meet today's challenges – both structural and economic – that hamper their ability to make good on New York's potential for a prosperous and sustainable future.

## **APPENDIX A, 2008-2009 PROGRAM LEGISLATION**

Subdivision 10 of section 54 of the state finance law is amended by adding a new paragraph o to read as follows:

o. Local government efficiency grant program beginning in the state fiscal year commencing April first, two thousand eight.

(i) Definitions.

(1) For the purposes of this paragraph, "municipality" shall mean counties, cities, towns, villages, special improvement districts, fire districts, library districts, water authorities, sewer authorities, regional planning and development boards, school districts, and boards of cooperative educational services; provided, however, that for the purposes of this definition, a board of cooperative educational services shall be considered a municipality only in instances where such board of cooperative educational services advances a joint application on behalf of school districts and other municipalities within the board of cooperative educational services region; provided, however, that any agreements with a board of cooperative educational services: shall not generate additional state aid; shall be deemed not to be a part of the program, capital and administrative budgets of the board of cooperative educational services for the purposes of computing charges upon component school districts pursuant to subparagraph

seven of paragraph b of subdivision four of section nineteen hundred fifty and subdivision one of section nineteen hundred fifty and subdivision one of section nineteen hundred fifty-one of the education law; and shall be deemed to be a cooperative municipal service for purposes of subparagraph two of paragraph d of subdivision four of section nineteen hundred fifty of the education law.

(2) For the purposes of this paragraph, "functional consolidation" shall mean when one municipality completely provides a service or function for another municipality, which no longer engages in that service or function.

(ii) High priority planning grants.

(1) Within the annual amounts appropriated therefor, the secretary of state may award grants to a municipality to cover costs associated with plans and studies developed for a city or county charter revision which includes functional consolidation or increased shared services and for the dissolution of a village; and to two or more municipalities for plans and studies developed for mergers, consolidations, and dissolutions; sharing services or transferring functions that would be performed on a countywide basis; and conducting services on a multi-county or regional basis. Additional grant categories may be identified by the secretary of state, in consultation with the commission on local government efficiency and competitiveness, and included in a request for applications.

(2) Such plans and studies shall include an examination of the potential financial savings and management improvements from such charter revision, consolidation, dissolution, merger or shared services.

(3) High priority planning grants may be used to cover costs including, but not limited to, legal and consultant services and other necessary expenses. The amounts awarded to a school district pursuant to this subparagraph shall not be included in the approved operating expense of the school district as defined in paragraph t of subdivision one of section thirty-six hundred two of the education law. No part of the grant shall be used by the applicant for recurring expenses such as salaries.

(4) The maximum high priority planning grant awarded shall not exceed fifty thousand dollars per application. Award amounts may vary by grant category as identified in the request for applications.

(5) Matching funds equal to ten percent of the total cost of activities under the grant work plan approved by the department of state shall be required.

(iii) General efficiency planning grants.

(1) Within the annual amounts appropriated therefor, the secretary of state may award competitive grants to two or more municipalities to cover costs associated with plans and studies for potential functional consolidation or shared services involving two or more municipalities.

(2) Such plans and studies shall include an examination of the potential financial savings and management improvements from such functional consolidation or shared services.

(3) General efficiency planning grants may be used to cover costs including, but not limited to, legal and consultant services and other necessary expenses. The amounts awarded to a school district pursuant to this subparagraph shall not be included in the approved operating expense of the school district as defined in paragraph t of subdivision one of section thirty-six hundred two of the education law. No part of the grant shall be used by the applicant for recurring expenses such as salaries.



(4) The maximum general efficiency planning grant awarded shall not exceed twenty-five thousand dollars per application for two municipalities, with an additional one thousand dollars for each additional municipality participating in the application; provided, however, that in no case shall such an application receive a grant award in excess of thirty-five thousand dollars.

(5) Local matching funds equal to ten percent of the total cost of activities under the grant work plan approved by the secretary of state shall be required.

(6) In the selection of grant awards, the secretary of state shall give the highest priority to applications that would result in the complete functional consolidation of a municipal service and shall also give priority to applications that include a municipality which meets at least three of the fiscal distress indicators in paragraph c of this subdivision, that include the consolidation of health benefit plans offered by two or more municipalities, or that would result in contractual services between two or more municipal highway departments or the consolidation of two or more municipal highway departments; provided, however, that to receive a general efficiency planning grant award, an applicant shall indicate that an objective of the study or plan for functional consolidation or shared services is to realize financial savings upon implementation.

(iv) Efficiency implementation grants.

(1) Within the annual amounts appropriated therefor, the secretary of state may award competitive grants to two or more municipalities to cover costs associated with consolidations, mergers, dissolutions, cooperative agreements and shared services where authorized by state law and where demonstrable financial savings would result from such consolidation, merger, dissolution, cooperative agreement or shared service.

(2) Efficiency implementation grants may be used to cover costs including, but not limited to, legal and consultant services, capital improvements, transitional personnel costs essential for the implementation of the approved efficiency implementation grant work plan, and other necessary expenses. Grants may be used for capital improvements, transitional personnel costs or joint equipment purchases only where such expenses are integral to the coordinated or consolidated service delivery. The amounts awarded to a school district pursuant to this subparagraph shall not be included in the approved operating expense of the school district as defined in paragraph t of subdivision one of section thirty-six hundred two of the education law.

(3) The maximum efficiency implementation grant awarded shall not exceed two hundred thousand dollars per municipality; provided, however, that in no case shall such an application receive a grant award in excess of one million dollars.

(4) Local matching funds equal to ten percent of the total cost of activities under the grant work plan approved by the department of state shall be required. In the event an applicant is implementing a project that the applicant developed through a successfully completed planning grant funded under the local government efficiency grant program or the shared municipal services incentive grant program, the local matching funds required shall be reduced by the local matching funds required by such successfully completed planning grant.

(5) No part of the grant shall be used by the applicant for recurring expenses such as salaries, except that the salaries of certain personnel essential for the effectuation of the joint activity shall be eligible for a period not to exceed three years.

(6) In the selection of grant awards, the secretary of state shall give the highest priority to applications that would implement the merger, dissolution or consolidation of municipalities or that would implement the complete functional consolidation of a municipal service, and shall also give priority to applications that are submitted by applicants that successfully completed a high priority planning grant pursuant to subparagraph (ii) of this paragraph or a planning grant under the shared municipal services incentive grant program for one of the types of high priority activity identified in subparagraph (ii) of this paragraph; that include a municipality which meets at least three of the fiscal distress indicators in paragraph c of this subdivision; that would consolidate health benefit plans offered by two or more municipalities; or that would result in contractual services between two or more municipal highway departments or the consolidation of two or more municipal highway departments.

(v) Twenty-first century demonstration project grants.

(1) Within the amounts appropriated therefor, subject to a plan developed in consultation with the commission on local government efficiency and competitiveness and approved by the director of the budget, the secretary of state may award competitive grants to municipalities to cover costs associated with a functional consolidation or a shared services agreement having great potential to achieve financial savings and serve as a model for other municipalities, including the consolidation of services on a multi-county basis, the consolidation of certain services countywide as identified in such plan, the creation of a regional entity empowered to provide multiple functions on a countywide or regional basis, the creation of a regional or city-county consolidated municipal government, the consolidation of school districts or supporting services for school districts encompassing the area served by a board of cooperative educational services, or the creation of a regional smart growth compact or program.

(2) Twenty-first century demonstration project grants may be used to cover costs including, but not limited to, legal and consultant services, capital improvements, transitional personnel costs essential for the implementation of the approved twenty-first century demonstration project grant work plan, and other necessary expenses. Grants may be used for capital improvements, transitional personnel costs or joint equipment purchases only where such expenses are integral to the coordinated or consolidated service delivery.

(3) The maximum twenty-first century demonstration project grant awarded shall not exceed four hundred thousand dollars per municipality. Award amounts may vary by grant category as identified in the request for applications.

(4) Local matching funds equal to ten percent of the total cost of activities under the grant work plan approved by the department of state shall be required.



(vi) The secretary of state shall, prior to the acceptance of grant applications, promulgate rules and regulations including, but not limited to,

(1) award eligibility criteria, and

(2) application, review and grant approval procedures. The secretary of state shall also require that such awards be granted only for services that would otherwise be individually provided by each grantee and that demonstrable financial savings result from such sharing, unless such awards are for feasibility studies. The secretary of state may consult with the commissioner of transportation, the president of the state civil service commission, or any other appropriate state official as needed to establish such rules and regulations.

(vii) Evaluation of grant program. The department of state shall prepare an annual report to the governor and the legislature on the effectiveness of the shared municipal services incentive program and the local government efficiency grant program. Such report shall be provided on or before October first of each year and shall include, but not be limited to, the following: a summary of applications and awards for each grant category, an assessment of progress in the implementation of initiatives that received grant awards, estimated financial savings and significant improvements in service realized by municipalities that have received grants and an evaluation of the effectiveness of regional technical assistance and state agency assistance provided pursuant to subparagraphs (vii) and (viii) of this paragraph.

(viii) Regional technical assistance. Within the annual amounts appropriated therefor, a portion of the administrative funding appropriated for the local government efficiency grant program may be used to support technical assistance provided by regionally-based organizations, pursuant to a plan submitted by the secretary of state in consultation with the commission on local government efficiency and competitiveness and subject to approval by the director of the budget, including but not limited to regional planning and development boards, not-for-profit organizations that support local government concerns, and academic institutions. Regional technical assistance shall include, but not be limited to, developing service sharing and consolidation guides and manuals, providing presentations on how to undertake consolidations, and providing assistance in developing consolidation and shared service agreements. Providers of regional technical assistance shall measure and report to the secretary of state on the effectiveness of such assistance in facilitating shared services or consolidation among municipalities.

(ix) State agency assistance. Within the annual amounts appropriated therefor, a portion of administrative funding appropriated for the local government efficiency grant program may be used to support new programs of state agency assistance to achieve financial savings among municipalities through functional consolidation or shared services pursuant to a plan submitted by such agency and approved by the director of the budget. State agencies that provide such assistance shall measure and report to the director of the budget, the commission on local government efficiency and competitiveness, and the secretary of state on the effectiveness of such assistance in achieving cost savings among municipalities.

NEW YORK STATE



DEPARTMENT OF STATE

## **Local Government Shared Services**

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