

# **2013 PRELIMINARY BUDGET PRESENTATION**

**November 21, 2012**

After three consecutive years of holding the line on County tax increases, we are not pleased to have to announce a tax increase for 2013 due to funding decisions that are beyond our control.

In order to avoid potential tax increases at the state and federal level, Governor Corbett and Congress have reduced critical mandated service funding to York County by \$7 million for calendar year 2013. To make up this significant revenue shortfall the County has no option but to increase the County Real Estate millage rate by 8.9% for calendar year 2013.

The County tax rate will increase from 4.15 to 4.52 mills effective January 1, 2013. A taxpayer whose home is assessed at \$150,000 will now pay \$678 in County real estate taxes compared to \$623 one year ago. That computes to a net increase of \$55 for the average home owner. Note that 1/10<sup>th</sup> of a mill remains as a dedicated Library Tax, resulting in \$15 of the total average homeowner's tax burden going directly to support the York County Library System. We project Library System funding will remain steady at \$2.5 million for 2013.

The consolidated 2013 County budget is \$470.0 million, with a General Fund of \$188.9 million. Compared to 2012, the General Fund budget is increasing 5.8%, reflecting increased subsidies to support the Pleasant Acres Nursing & Rehabilitation Center, Children, Youth & Family services and 911 operations. All three of these departments are core County services and are impacted by state and federal government funding cuts in 2013. Net of these increased subsidy payments, County government growth for 2013 is a nominal 1.9%.

## **MAJOR BUDGET IMPACTS**

### **Pleasant Acres Nursing & Rehabilitative Center**

Over the past three years, the federal government has not increased the reimbursement rates for Medicare and Medicaid under the Affordable Care Act. While medical care costs have been escalating at an annual rate of 8% to 11%, there has been no corresponding increase in the federal reimbursement rates that County nursing homes rely on to fund long term care operating costs. Even the basic COLA was eliminated for the 2012/2013 fiscal year.

The County's Pleasant Acres Nursing & Rehabilitation Center is a 375-bed facility with a 90%+ Medicare/Medicaid dependent resident population. In 2013, the Nursing Home will require a County subsidy of \$7.1 million. The shortfall in Medicare and Medicaid funding is projected at over \$4 million. This Medicare/Medicaid funding shortfall falls directly on the taxpayers of

York County who are being asked to bear the increasing cost of long term health care for our elderly residents. Unless Congress addresses this growing Medicare/Medicaid reimbursement problem, the funding gap will continue to burden County-owned nursing homes into the future. Five years ago, there were 36 County-owned nursing homes operating in the Commonwealth. Today, there are 33. Funding pressures and ever-increasing DOH regulatory standards are forcing the sale or closure of County-owned homes in increasing numbers. Of the 33 County-owned homes that still operate today, several are currently engaged in active sale negotiations. Ever increasing subsidies are the norm today, as boards of Commissioners struggle to fund these once core-mission facilities.

### **911 Emergency Services Center**

The County's emergency services operations are also being impacted by a significant funding shortfall due to the Governor's state budget cuts. The County's PEMA funding, once the primary revenue source for 911 operation centers in Pennsylvania, has been reduced \$2.1 million for fiscal year 2012/2013. PEMA funding has been essentially cut in half, requiring the County to pick up the shortfall in order to maintain emergency 911 operations essential for the safety and well-being of our residents and first responders. Discussions with PEMA officials regarding the future of 911 funding have not been encouraging. We anticipate that further reductions in funding for 2014 are most likely.

### **Human Services**

Lastly, the County is also impacted by the much discussed state funding reductions in the Human Services agencies, such as Children, Youth & Families, Mental Health & Intellectual Development and Disabilities, and the Area Agency on Aging. Overall, the MH-IDD program has been forced to reduce its York/Adams joinder programming by approximately \$2 million, resulting in waiting lists and clients who are not able to access the services they require.

For the Children, Youth & Families agency, program cuts to match available funding is not a possibility. Act 148 state funding cuts **must** be replaced by County taxpayer dollars, since the CY&F program is a state mandated service that requires the County to continue to deliver the same level of service to the community regardless of the amount of state funding provided. The current situation is a "perfect storm" for York County. After several years of decreasing child placements, the number of children projected to be placed with third-party providers is rising while state funding is being reduced. We are projecting the CY&F shortfall in state funding to be \$1.1 million for calendar year 2013.

### **THE RESULT...**

The bottom line is... the state has solved their budget problem by pushing program funding shortfalls to the local County level; thereby forcing County's to pick up the funding burden and

raise local taxes. Unfortunately, the proverbial “buck” stops here in York County with an 8.9% tax increase for local taxpayers.

### **WHAT ARE WE DOING TO MITIGATE THIS FUNDING DILEMA?**

Over the past five years, County elected officials and department heads have implemented innovative programs and practices designed to cut costs and improve the efficiency of County government services. Those measures, along with a very conservative spending plan have resulted in a 2013 General Fund budget that net of the state and federal funding shortfalls, would have increased by only 1.9% from one year ago.

Actions we are taking to help offset the funding shortfalls include:

- Reducing the County workforce by 12 positions in 2013, in an effort to balance programming needs with available funding. We project these reductions will result in a cost savings of just under \$500,000.
- We are limiting the non-bargaining unit employee wage increase for 2013 to 1%, down from 2% in the prior two years. Union employees will continue to receive contracted wage increases which range from 2 ¼% to 3% annually. Total General Fund salary and wage adjustments account for roughly \$1.7 million in increased spending for 2013.
- We are also refunding our 2003 bonds in order to reduce our debt service costs by \$1.9 million in calendar year 2013. Debt service costs will be \$14.2 million on a total electoral debt of \$278 million.
- In an attempt to help curb the rising cost of employee health care costs, the County has introduced a new Health Savings Account benefit program designed to promote “financial ownership” of personal health care by County employees. The HSA program will allow employees to use their own contributions and County funds to pay for their health care with the opportunity to accumulate any unused funds for personal use. We believe this program will change the way employees view their health care options and result in lower claims costs for the County. In 2013, the County anticipates employee health care costs, including medical and prescriptions, to exceed \$34 million.
- The County’s relationship with the Bureau of Immigration & Customs Enforcement (BICE) has had a significant favorable impact on County budgets since the mid-1990’s. In 2013, we plan to house, on average, 850 BICE detainees, with a resulting revenue generation of \$25.6 million. The new Work Release Facility scheduled to open in December will permit the County to free-up additional space in the Prison facility for BICE detainees, and absorb our growing York County Prison population.
- The state has created a new revenue stream for Counties in 2013 from the Marcellus Shale Legacy Fund monies. York County is scheduled to receive approximately \$380,000 in gas well drilling impact fees that can be used to fund recreational facilities and land preservation efforts. The York County Board of Commissioners has allocated

\$100,000 of the total revenue to agricultural easements; \$50,000 to the York County Rail Trail Authority; and \$93,000 to the Farm & Natural Lands Trust, to close out the County's \$1 million commitment to preservation efforts managed by the Trust. The remaining \$137,000 will be used to offset on-going Heritage Rail Trail maintenance in the York County Parks system.

### **OTHER BUDGET CONCERNS**

Holding the line on County Real Estate taxes has been this board's number one priority over the past five years, and will continue to dictate spending decisions into the future. While it is regrettable that funding decisions at the state and federal government levels can have such a significant impact on local County services, taxpayers should know that York County officials are exploring every avenue to reduce costs and improve efficiencies. We will continue to examine every new program; every new position request; and every opportunity to ensure that there is a return on taxpayer investment and measureable outcomes that improve the services we provide. Two key initiatives deserve mention:

1. The County continues on its plan for expansion of the existing DUI and Drug Court Treatment programs. Under the direction of President Judge Linebaugh, the York County Court of Common Pleas is working diligently to expand both programs in order to manage growing case loads. Included in the County's 2013 Court budget is \$650,000 dedicated to these specific programs. Treatment Courts are an important component of the judicial system and saves the County over 20,000 Prison bed-days per year, making space available to house additional BICE detainees at \$83 per day.
2. We also believe that technology is a critical element in any sustainable long-term strategy. Although we are planning to raise taxes in calendar year 2013, we have not sacrificed our technology budget. We believe that working smarter and more efficiently goes hand-in-hand with embracing new and expanding existing technologies. Our total Technology budget for 2013 is \$1.7 million, including:
  - \$871,000 for upgrades to our 911 infrastructure and increasing capability
  - \$183,000 for a new state-mandated CY&F reporting system
  - \$253,000 to upgrade basic information technology systems

### **WRAP-UP**

In closing, I would like to thank the Board of Commissioners for their continued leadership and for establishing the long term strategy that prior to this year, enabled us to achieve 3 consecutive years of no tax increases for the residents of York County. We continue to operate in difficult economic times and while we are not pleased to have to raise taxes in 2013, the significant

funding cuts by the state and federal government leaves us with few options. In light of the tax increase for 2013, our elected officials and County directors will continue to work diligently to reduce costs and ease the burden on the taxpayers of York County.

### **THANK YOU**

I would like to also thank the County Budget Team for their persistence and dedication in working toward a responsible and reasonable budget. Treasurer Barbara Bair, Controller Robb Green and Deputy Controller Deb Myers are to be commended for their continued hard work and effort.

### **WHAT HAPPENS NEXT?**

The Preliminary Budget will be available for review and comment by the general public for 20 days. We will have a copy available on both the Commissioners Office counter and on our website at [www.yorkcountypa.gov](http://www.yorkcountypa.gov) .

It is our intent to place the Final 2013 Budget on the Commissioners agenda at our regularly scheduled Commissioners' Meeting on Wednesday, December 19<sup>th</sup> .

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