

Policy Brief 2019:05 (released June 2020)

By Michael Hattery, Celia Watt, and Dawn Footer*

Local Capital Planning Practices in New York State: 2019 Survey Results

Wise investment in public infrastructure is a priority for sustainable and prosperous communities. Local government leaders have oversight responsibility for timely infrastructure investments that are aligned with community needs and values. Local capital planning and budgeting practices, along with asset management, are some of the tools that elected leaders and managers use to help maintain this essential flow of community investment. Communities vary widely in their needs for equipment, buildings, and infrastructure to support services that range from parks and recreation to public works. Established processes to identify these needs and plans for their timing, financing, and implementation are essential to effective local government.

Beginning in 2009, the Office of the New York State Comptroller released a series of reports on local infrastructure investment in New York State¹. While the details of these reports have varied over time, the general theme continues to be that New York State's local infrastructure is in a state of disrepair and requires a significant increase in investment. Over the ten year period between 2008 and 2018 local government debt service and capital investment did not begin to close this gap, increasing by sixteen percent

(averaging annual growth of 1.6%) and remaining a relatively constant ten percent of annual total local spending for the aggregate of counties, cities, towns, and villages. In this report we review the status of local government capital planning practices that are critical for identifying and addressing these investment needs.

This policy brief summarizes local government capital planning practices in New York identified by a survey of New York State's local chief elected officials (CEOs). The Public Management Program at the State University of New York's College at Brockport administered a statewide survey in 2019 of local chief elected governing board members; town supervisors, village and city mayors, and chairs of county governing boards. Of New York State's 1,604 local governments, 493 CEOs completed the survey resulting in a 31% response rate (for more information about the survey and survey respondents see [2019 Survey of New York's Local Chief Elected Officials: The Details](#)). In 2009 we conducted a comparable survey of local governments which included a nearly identical set of questions about capital planning practices. In the discussion of results we will highlight some of the changes between the 2009 and 2019 surveys.

¹ See, for example:

Cracks in the Foundation: Local Government Infrastructure and Capital Planning Needs. New York State Office of the State Comptroller, August 2009.
Growing Cracks in the Foundation: Local Governments are Losing Ground on Addressing Vital Infrastructure Needs. New York State Office of the State Comptroller. December, 2012.

Growing Cracks in the Foundation: Local Governments Still Challenged to Keep up with Vital Infrastructure Needs. New York State Office of the State Comptroller. September 2014.

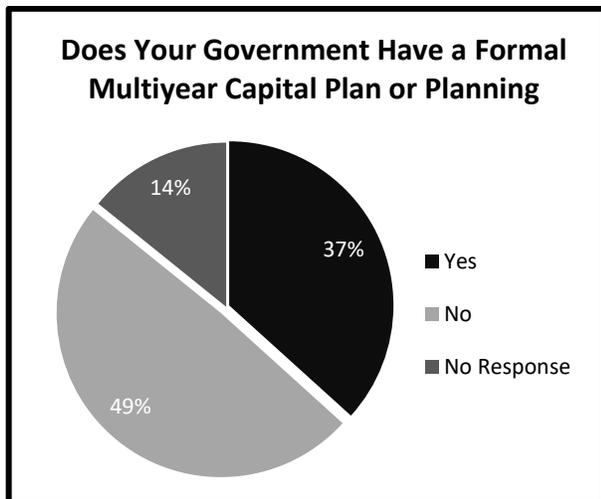
Capital Planning Practices: Survey Results for New York Local Governments

Local leaders are persistently faced with a variety of pressing concerns. Carving out time for investment planning and finding resources for infrastructure investments can be supplanted to address more urgent concerns and resource needs. In the near term, the fiscal pressure to defer critical capital investments will only heightened as localities have to cope with the unfolding disruption in local state and federal financial resources.

How Common is Capital Planning?

CEOs were asked, “Has your government developed a formal multiyear capital plan or a multiyear capital planning process?” The data in Figure 1 indicate that just over a third (37%) of New York’s local governments responded that they do. This is very similar to the 36% of CEOs in 2009 that responded affirmatively. The current results vary substantially by size of local government. For example, only 31% of CEOs from local governments with less than 5,000 population responded affirmatively, while 46% with a population greater than 5,000 indicated that they have a formal multiyear capital plan. The results for 2009 provide a similar pattern with the percentage of municipalities with a capital plan or process increasing steadily with population size. These comparative results indicate no tangible strengthening or growth of this important practice among local governments over the last decade.

Figure 1



How Far Into the Future Do You Plan?

Local governments with a capital plan or planning process were asked about the length of the planning horizon and are summarized in Table 1 below. Less than half (39%) of local governments maintain a 5 year planning timeline for capital projects. A smaller percentage (20%) of local governments plan for capital projects over four or fewer years. Finally, 12% of local governments with capital planning processes plan for more than five years, with 4% of those planning for 10 years or more. When comparing results with those from the previous survey, each category of the planning horizon was lower in 2019 than 2009. However, it must be noted that far more CEOs did not respond in 2019. One final note regarding capital planning is that local governments with larger populations tend to develop longer range capital plans than local governments with smaller populations both in 2019 and 2009.

Planning Horizon	2019	2009
One year	2%	4%
Two to four years	18%	23%
Five years	39%	49%
More than five, but no more than ten years	8%	14%
Ten years or more	4%	9%
No Response	29%	2%
Total	100%	100%

A Formal Capital Planning Process

Planning practices for local capital projects varies on a continuum from a mayor’s rough list of project needs “in the hip pocket” to formal governing board adoption of a capital plan under the provisions of state law as outlined in General Municipal Law (GML) section 99g. Many local governments have long standing and formalized multiyear capital planning practices without

reference to GML section 99g. An established or formal process will include a prioritized list of capital projects with multiyear phasing and anticipated project financing and budget implications connected to an annual calendar and municipal process for adjusting and prioritizing projects. In the survey, CEOs were asked if their local governments have developed formal multiyear capital planning processes. Almost a quarter of respondents indicated that their capital planning processes were formalized (see Table 2). This is similar (25%) to the response from CEOs in 2009.

Response	2019	2009
Yes	24%	25%
No	60%	72%
No Response	16%	3%
Total	100%	100%

Looking in more detail at responses to this question, we find that a higher percentage of local governments with populations over 5,000 indicate that their capital planning process is formalized (37%) than those with populations below 5,000 (only 16%). A similar variation based on population size was found in the 2009 survey as well.

A Link between the Multi-Year Plan and the Annual Budget

An essential linkage in the planning process is effective implementation for the annual funding and construction of capital projects. Successful capital plan implementation often requires pre-funding steps for capital projects like land acquisition, environmental reviews, etc. But the most critical connection is the translation of the capital plan items for a given year to the annual

capital and annual operating budget. This is where the “rubber” of planning meets the “road” of successful implementation. In 2019, of the 25% of local governments with a formal multiyear capital planning process, only 54% indicated that they use the plan in developing their annual operating and capital budget. This is a substantial drop, of nearly a quarter of responding local governments, from the 86% of such local governments in 2009.

In 2019, towns were less likely to make this important link (41%) than their county, city, and village peers (71%, 69%, and 68% respectively). Similarly, local governments with less 5,000 population were less likely to make the annual budget linkage (47%) than those serving a population of over 5,000 (61%).

Prioritizing Capital Projects

A second key element in capital planning is the approach used to prioritize capital projects in the capital plan. A substantial majority of local governments with a formal capital planning process use a standardized process to prioritize capital planning projects. In the survey, chief elected officials were asked to rank in priority how important four different factors are in prioritizing capital projects.

Table 3 contains a summary of responses regarding factors used in prioritizing capital projects. The final two columns show a combined rank of priority factors from 2019 and 2009. The 2019 totals indicate that: *urgency of the project* was the overall highest factor in prioritizing capital projects followed by *staff expertise*, *project affordability*, *risk related urgency of the project*, and *program priorities* respectively. The final column indicates how the ranking of these factors was in the 2009 survey.

Table 3: Important Factors in Prioritizing Capital Projects							
How are Projects Prioritized	Priority Rank (%)						
Please rank how capital projects are prioritized	1	2	3	4	5	Combined Rank	
						2019	2009
Priorities are established by staff with the expertise to best understand the asset(s)	27%	23%	24%	15%	10%	2	3
Priorities are established based on the urgency of the project	36%	38%	20%	2%	4%	1	1
Priorities reflect the affordability of the project in relation to the operating budget/multiyear financial plan of the municipality	21%	10%	26%	28%	15%	3	2
Priorities are established consistent with certain program priorities	4%	5%	10%	38%	43%	5	4
Priorities reflect the risk related urgency of the project; i.e. that delay could expose your government to potential liability	12%	23%	19%	17%	28%	4	N/A
Total (due to rounding, column totals do not equal 100)	100%	100%	100%	100%	100%		

N/A- this option was not available in the 2009 survey.

Summary of Results

The survey results for 2019 indicate that over a third (37%) of New York's local governments are currently planning for capital improvements. Over half (59%) of those who plan for capital improvements have a timeframe of five years or less. Of those local governments with a formal multiyear capital planning process, only 54% indicate that they use the plan in developing their annual operating and capital budget. Project urgency and staffing expertise are the factors most influential in the local prioritization of capital projects, with project affordability, program priorities, and risk related urgency playing lesser roles.

In comparison with survey results from 2009, the current survey reflects an erosion of capital planning practices by New York's local governments. While the percent of local governments with a capital plan has remained relatively constant, the number of plan years and the percent of governments that link such planning to annual budgeting have both declined over the 10 year period. With an existing deficit of capital investment identified in studies from the New York State Comptroller, the measured decline of aspects of the local use of this important tool is a significant concern for the fiscal health and sustainability of New York's local communities.

These results indicate that there is substantial room for improvement to: (1) increase the number of governments planning for capital investment, (2) lengthen the years of the average horizon of planning, and (3) enhance the process of linking capital planning to implementation in the annual budget. While the 2009 -2019 period witnessed the imposition of a property tax cap, we recognize that combined with the recent fiscal impacts of the COVID-19 pandemic will make it difficult for local governments to quickly change course fiscally and increase capital investment. Indeed, it may be a prime time to implement institutional planning practices in preparation for what is likely to be a challenging fiscal future.

Capacity and Needs for Improving Capital Planning

Initiating new local management practices is difficult, but not impossible. Municipal finance experts have long encouraged multiyear financial and capital planning as a tool to improve local investment. Many manuals and guides have been developed to aid municipalities in adopting such

practices. Yet, as our survey indicates, few New York State municipalities, particularly those smaller, non-metropolitan governments, have adopted the practice as a systematic management tool. For non-metropolitan governments in particular, multiyear financial and capital planning can be overwhelming if undertaken without computerized formats and data handling and/or without outside help. At least four local capacity areas are important in efforts to increase and improve the local capital planning: local leadership, management-administrative capacity, information management capacity, and financial capacity.

Local Leadership. The recognition of the need for capital planning and a willingness to invest in change is a pre-requisite. In another portion of the survey (see [Training Priorities brief](#), Table 1, page 3), training for "Planning and Budgeting for Capital Improvements" was ranked a moderate or great need by 80% of local chief elected leaders. This response grew by almost 10% between 2009 and 2019 and strongly suggests there is a recognition of both the need for capital planning and for training assistance to make progress in the area. Local leaders also expressed the need for increased resources for highway investment and local water and wastewater infrastructure.

Management-Administrative Capacity. The initial development of a multiyear capital plan and process is, like many management tools, both time consuming and demanding. Creating effective linkages between the plan and the annual budget can be complex. The initial development may be overwhelming without adequate internal management capacity. However, once the basic information collection and administrative process have been put in place, many smaller and medium sized organizations can then annually update and refine the process over time for effective use. Thus the availability of quality training (see the NYS Comptroller's [online training resource](#)), guidance materials and software without adequate administrative capacity have proven to be simply inadequate to promote adoption of this important and valuable practice with many nonmetropolitan governments (see Streib and Poister, 1989). This is reflected in the apparent decline of capital planning between 2009 and 2019 among New York's local governments -despite the initiatives of state agencies and other assistance providers to promote the practice.

As previously mentioned, the survey indicates a much lower incidence of capital planning among smaller governments, particularly non-metropolitan towns and villages. Several valuable approaches have been employed to bring needed administrative staffing capacity to these local government organizations to enable the critical initial development and implementation of a capital plan and process. These include the use of student interns, circuit riding or shared management professional assistance from a regional or state organization, and peer-to-peer pairings of local governments that link those who have successfully adopted capital planning with those just starting. Local governments look to proven examples that work for other similar communities when they explore opportunities for change. In this environment, the investment in management assistance to local leaders who desire to implement change and adopt capital planning can have a multiplier effect in local areas and regional settings.

Information Management Capacity. Municipal capital planning requires care and detail in organizing and presenting financial information. Developing a suitable plan requires flexibility and recalculation to consider alternatives and make a variety of adjustments. After initial development, capital plans need to be modified and updated each

year to be useful and successful over time. An appropriate software application or tool is a prerequisite to facilitate annual updates, to answer what-if questions and to assess the impact on annual budgets. If such software is not used to develop a multi-year capital plan, it will likely become a static, paper-based report that is soon outdated. The New York State Comptroller's office has developed a guided format that can serve as an important starting point that can be modified locally for capital planning. See the Comptroller's Capital Planning Tool [here](#).

Financial Capacity. Most local governments in New York State are facing significant fiscal constraints which are likely to continue for at least several years. Constrained fiscal circumstances are periodically the picture facing local decision makers. Future community and economic health requires that state, regional, and local policymakers consider how to address the financing of current and future capital needs – within existing constraints or with needed adjustments to local fiscal capacity and revenue flows. A critical step in needed change is broad based local implementation of capital planning practices to identify the magnitude of existing capital financial needs.

References:

Hattery, Michael. 2010. Local Capital Planning in New York: Practices and Prospects for a Revitalized Future. Policy Brief 2010:02. Binghamton, N.Y.: Binghamton University Center for Local Government.

Office of the New York State Comptroller. 2009. Cracks in the Foundation: Local Government Infrastructure and Capital Planning Needs. Albany, NY: Office of the New York State Comptroller.

Office of the New York State Comptroller. 2012. Growing Cracks in the Foundation: Local Governments are Losing Ground on Addressing Vital Infrastructure Needs. Albany, NY: Office of the New York State Comptroller.

Office of the New York State Comptroller. 2014. Growing Cracks in the Foundation: Local Governments Still Challenged to keep up with Vital Infrastructure Needs. Albany, NY: Office of the New York State Comptroller.

Streib, Gregory and Theodore Poister. 1989. Established and Emerging Management Tools: A 12-Year Perspective, in The Municipal Yearbook, pp. 45-54. Washington, D.C.: International City Management Association, 1989.

SUNY – College at Brockport
Department of Public Administration
Public Management Program
161 Chestnut Street
Rochester, NY 14604
585-395-5564
mhattery@brockport.edu

*Michael Hattery, PhD,
Program Coordinator
Celia Watt, PhD, Professor
Dawn Footer, MPA, MS
Graphic Design by Kim Ross

Project co-sponsors:
Association of Towns of the State of New York
New York Conference of Mayors
New York Municipal Insurance Reciprocal
New York State Association of Counties