

Briefing on the 2010-11 Executive Budget

AIM Funding – The Executive Budget would eliminate funding for New York City and reduce AIM payments to other local governments by either 2% or 5% of **2009-10 adopted budget levels** based on the municipality's reliance on this revenue source. Specifically, if your AIM funding accounts for 10% or more of your total revenues, it would be reduced by 2%, and if AIM accounts for less than 10% of your total revenues, it would be reduced by 5%. NYCOM objects to these cuts and is urging the Senate and Assembly to restore this essential funding. For us to be successful it is critically important that you also relay this message to your state legislators.

Transportation Aid – Funding for CHIPS and Marchiselli aid would remain at current year levels of \$363 million and \$39.7 million, respectively.

Local Government Efficiency Grant Program (LGEG) – Although current grant awards will be honored in full, the amount available for new grants under the Local Government Efficiency Grant program (formerly SMSI) would be reduced to \$5 million in both 2009-10 and 2010-11. Similar to the current year grant categories, these monies would fund: high priority and general efficiency planning grants, efficiency implementation grants, and 21st Century demonstration projects promoting transformative regional initiatives. The maximum grant amounts vary by category and there is a 10% local match required.

An additional \$1 million would be made available for consolidation incentives. Under this proposal, municipalities that merge, consolidate or dissolve are eligible to receive additional AIM funding equal to 15% percent of the municipalities' combined property tax levy from the previous year, capped at \$1 million.

Gross Receipts Tax Rate Increase – The Executive Budget contains language -- proposed by NYCOM -- that would permit cities and villages to increase the local gross receipts tax rate on utilities from 1% to 3%. The cities of Buffalo, Rochester and Yonkers already have the authority and do impose the tax at the higher 3% rate. The NYS Division of the Budget estimates that this proposal could generate up to an additional \$53 million for cities and \$57 million for villages.

Additional Local Revenue Initiatives – The Executive Budget contains a number of local revenue initiatives that were advanced by NYCOM. These include: (1) permitting municipalities to charge for accident reports at levels authorized for the State Police beyond the current .25 per page permitted under FOIL; (2) authorizing municipalities to impose fees for ambulance and emergency medical services provided by fire departments similar to a local government's ability to charge for freestanding ambulance agencies; and (3) authorizing municipalities to charge for the provision of additional police protection at paid-admission events. The Executive Budget would also permit local governments to deposit municipal funds in credit unions and savings banks. Currently, municipalities are only permitted to deposit funds in commercial banks and trust companies, which precludes them from taking advantage of the best possible interest rates. NYCOM strongly supports each of these initiatives.

Relief from State Mandates – NYCOM supports the Governor's proposed mandate relief agenda, including:

- **Moratorium on Unfunded Mandates** – The Executive Budget would impose a four-year moratorium on any legislatively enacted unfunded mandate that would require local governments or school districts to undertake new programs, increase the level of services or increase the value of property tax exemptions beyond \$10,000 for an individual municipality, or \$1 million statewide. This initiative would also improve existing fiscal impact requirements used to identify the true cost of proposed legislation on New York's local governments.

- **Procurement Reform** – The Executive Budget proposes to increase the competitive bidding limits from \$10,000 to \$20,000 for purchase contracts and from \$35,000 to \$50,000 for public works contracts. In addition, the Budget would provide additional procurement flexibility by authorizing local governments to hold reverse auctions, piggyback off of other state and certain federal contracts; publish bid notifications in the statewide electronic Contract Reporter; require bids to be submitted electronically; and allow contracts to be awarded on the basis of “best value” rather than lowest bid.
- **Judgments Against Municipalities** – The Executive Budget establishes a reasonable market-based method of calculating interest in court judgments similar to the method used in judgments involving the Federal government, rather than the current 9% rate.

Pension Amortization – The Executive Budget would permit municipalities to amortize a portion of their annual pension costs over a ten-year period at a rate of interest determined by the State Comptroller. This authority would be available for pension bills issued for the 2010-11 through 2015-16 fiscal years. In addition, the minimum employer contribution would be increased from 4.5% to 5.5%. NYCOM supports giving local governments this option to better manage their cash flow.

Excelsior Jobs Program – To replace the Empire Zones Program, which is set to expire on June 30, 2010, the 2010-11 Executive Budget would create a new Excelsior Jobs Program which would offer a package of tax incentives to businesses in targeted industries which create and maintain a set number of new jobs in New York for five years. The tax credits would consist of the following:

- **Excelsior New Jobs Tax Credit:** Firms would be eligible to receive a tax credit based on a portion of the payroll costs associated with newly created jobs.
- **Excelsior Research and Development (R&D) Tax Credit:** Firms would be eligible for a 10% credit for new investments based on the Federal R&D credit.
- **Excelsior Investment Tax Credit (ITC):** Firms would be eligible for a 2% return of total qualified investments.

Current Empire Zone participants would not be eligible for the Excelsior program. In addition, annual Excelsior program costs would be capped at \$50 million per year for new entrants, equal to \$250 million per year when the program is fully phased-in over a five-year period.

Aid for Municipalities with Video Lottery Terminals (VLTs) – Under current law, 16 municipalities receive state aid to help offset a portion of the costs associated with being a “host community” for video lottery gaming operations. Except for the City of Yonkers, the Budget would reduce this aid by 10%. Under this proposal, Batavia, Monticello and Vernon would experience a 10% reduction in VLT aid in 2010-11. NYCOM opposes this proposed reduction in aid to these communities.

Sale of Wine in Grocery Stores – The Executive Budget proposes to allow the sale of wine in grocery and drug stores (those that have the right to currently apply for a beer license) after a significant, one-time franchise fee is paid. Revenue estimates assume most stores will participate, wine sales will increase, but prices will fall. NYCOM opposes this proposal due to the negative impact it could have on small businesses.

Environmental Protection Fund (EPF) – The Executive Budget proposes a decrease in the EPF, from \$212 million to \$143 million, resulting in reductions totaling approximately \$68 million in the Open Space Program, \$2.7 million in the Solid Waste Program and an increase of \$1.7 million in the Parks and Recreation Program. This proposal is in addition to the \$10 million reduction to the EPF that was enacted as part of the state’s Deficit Reduction Plan in December 2009.

Water and Wastewater Infrastructure – The Executive Budget proposes \$269 million for the Clean Water State Revolving Fund (CWSRF) -- \$224 million in federal funding and \$45 million from the state. The Budget would also provide \$89 million for the Drinking Water State Revolving Fund (DWSRF), all of which is federal funding. These are records levels of non-Stimulus investment from both the federal and state government.

Prison Closures – Due to the declining prison population, the Budget proposes the closure of four prisons: Lyon Mountain minimum security in Clinton County and Butler minimum security in Wayne County in January 2011, Moriah shock facility in Essex County and Ogdensburg medium security in St. Lawrence County in April 2011.

Sales Tax Collection on Native Americans Lands – Although the Executive Budget does not assume increased revenues due to the enforcement of the collection of sales tax on cigarettes purchased on Indian-owned lands, the Department of Taxation and Finance will rescind its advisory opinion on the sale of unstamped cigarettes and promulgate rules and regulations to implement the Indian tax exempt coupon system. This action will permit the state to seek the lifting of the injunction preventing the State's statute prohibiting the sales of unstamped cigarettes to Indian retailers from going into effect. NYCOM believes that the state must simply enforce the law requiring collection and remittance of sales tax on goods purchased by non-Native Americans on Indian-owned lands, particularly cigarettes.

OGS Centralized Fee – The Executive Budget would repeal the procurement contract fee that was enacted as part of the 2008-09 state budget. The 0.5 percent surcharge is imposed on the purchase price charged to entities (State agencies, local governments, public authorities, not-for-profits) using centralized state contracts, to support the cost of developing such contracts. NYCOM strongly supports the elimination of this surcharge.

Dog Licensing – The Executive Budget would eliminate the State's role in dog licensing and authorize municipalities to establish their own licensing programs. Currently, the State's primary responsibility is to maintain a centralized licensing database and provide annual reminder notices to licensees. Under this proposal, all licensing revenue would remain with the municipality in which it is raised, and would require, as is currently the case, that such revenue be expended solely on animal control-related programs. In addition, this bill would eliminate the State's involvement in animal population control, and authorize municipalities to engage in their own animal population control efforts.

Office of Real Property Services Merger – The Executive Budget includes a proposal to merge the Office of Real Property Services (ORPS) into the Department of Taxation and Finance. A newly created Office of Real Property Tax Services would be created within the Department to carry out the functions and services currently performed by ORPS. In addition, the State Board of Real Property Services would be abolished and its responsibilities would be transferred to the state's Tax Appeals Tribunal.

Assessment Transparency – Under the new Property Taxpayers' Disclosure and Assessment Transparency Act included in the Executive Budget, local governments would be required to electronically transmit to the state, 60 days prior to the filing of the tentative assessment roll, certain information relevant to developing such roll. This information would include the preliminary assessment for each parcel, the final assessment for each parcel from the prior year, and the overall level of assessment. The Act would also require that property owners be notified if an assessment on the tentative roll is greater than the preliminary assessment for such parcel.

Mobility Tax – In May 2009, the Governor and the State Legislature agreed to a plan to help the Metropolitan Transit Authority (MTA) address a \$1.2 billion deficit. The adopted plan included an employer payroll tax – referred to as the mobility tax – which applies to all public, non-profit and private employers in the 12-county MTA region, including municipalities. The rate of the tax was established at .34%, or 34 cents for every \$100 in salaries and wages. NYCOM, along with many of its affected municipalities, was highly critical of this new tax. It should be noted, as part of the 21-day amendments to the 2010-11 budget, the Governor proposed a reduction in the rate of the tax from .34% to .17% for all MTA counties outside New York City and an increase in the rate from .34% to .54% for New York City.