



A PERIODIC UPDATE ON POLICY ISSUES OF
INTEREST TO CITY AND VILLAGE OFFICIALS

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Finally a State Budget for New York

Although 125 days late, the state budget was finally completed when the Senate passed the final piece of the state's financial plan for 2010-11 -- a \$1.5 billion revenue bill. Among other items, the bill restores the state sales tax on clothing and shoe purchases under \$110, adds a sales tax to online hotel reservations, and provides local governments with the ability to permanently opt into a pension contribution stabilization program whereby a portion of their annual pension bill is amortized over a ten-year period at a rate of interest determined by the State Comptroller. It is important to note that if a municipality decides to take advantage of this program, they will also be required to make additional contributions to reserve accounts when pension contribution rates are declining, which could then be drawn from when rates begin to increase again. In addition to completing passage of the state budget, the Senate and Assembly also approved legislation to address a potential shortfall in federal Medicaid funding. Known as the FMAP (Federal Medical Assistance Percentage) contingency plan, if approved by the Governor it would do the following:

- Beginning September 16, 2010 and continuing through March 31, 2011, most payments from aid to localities appropriations in the State's General Fund (including AIM funding) and State special revenue funds will be reduced by a uniform percentage. The reductions will continue until the necessary savings have been realized.
- The specific percentage reductions will be set forth in an allocation plan prepared by the NYS Division of Budget, once they have been calculated.
- Payments for public assistance, debt service, CUNY senior college aid, MTA mobility tax payments, and court judgments are exempt from reduction.
- The savings from the reductions will be deposited into a new FMAP Contingency Fund "lock box".

If an FMAP extension is ultimately by Congress approved in 2010-11, the payment reductions will cease and any excess above what is required to maintain a balanced state budget will be returned to the entities that had payments reduced. Last week, the U.S. Senate passed an FMAP extension at a reduced amount. The House is expected to take up the bill shortly. If approved, it would minimize the degree to which local assistance would be withheld.

Finally, the State Senate also passed the property tax cap proposed by Governor Paterson which would limit annual increases in property taxes for local governments and school districts to 4% or 120% of the CPI, whichever is lower. The Assembly continues to oppose the proposal but the Governor has vowed to call a special session of the State Legislature in October to try to get the Assembly to reconsider the cap. NYCOM maintains the position that a property tax cap **will not** work unless it is accompanied by significant mandate relief to address those cost drivers (e.g., pensions, health insurance and the collective bargaining process) that are the real cause of high property taxes in New York.

NYCOM will continue to update you on these and other issues coming out of Albany as they occur. Questions should be directed to Barbara VanEpps, NYCOM Deputy Director, at 518-463-1185 or barbara@nycom.org.