



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

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State Budget Update NYCOM to Testify at Local Government Budget Hearing

Governor Paterson introduced his Executive Budget on December 16th and the 2009 Legislative session is well underway. During the next several weeks, the budget negotiation process will be in full swing as both houses of the Legislature attempt to decide which initiatives are worthy of inclusion in the State's adopted budget. Each year, it is customary for the Legislative Fiscal Committees to hold joint hearings on the various program areas in the budget. This Thursday, January 22nd, is the Local Government Hearing at which NYCOM President and Mayor of the City of Cohoes, John T. McDonald III will be testifying. Given the time constraints, he will not have the opportunity to address every proposal impacting cities and villages. What follows, however, are several of the Executive Budget initiatives that Mayor McDonald will likely focus on. A complete copy of the testimony will be available Thursday on the NYCOM web site at www.nycom.org.

Executive Budget Proposals NYCOM Supports

AIM Funding: Given the current economic climate and the broad range of cuts in the Budget, cities and villages generally fared well under the Governor's plan. Most cities and villages would receive the same amount of AIM funding in 2009-10 as they do now. At a time when other local revenues are declining as a result of the state's languishing economy, any reductions in this funding source, no matter what size the state's deficit, would most certainly translate into an increase in local property taxes. NYCOM will urge the Senate and Assembly to follow the Governor's lead by at least maintaining AIM funding at current year levels, and, if possible, building upon the Governor's proposal, thereby continuing a worthwhile investment in a property tax relief program that works.

It must be noted that NYCOM is opposed, however, to the fact that under the Governor's plan, the City of New York would be eliminated from the AIM program, losing a total of \$328 million in its upcoming fiscal year and beyond. In addition, the 33 cities that received a portion of the \$11.6 million that was added by the Legislature as part of the 2008-09 adopted State Budget, would also have their AIM funding reduced in the current year by half the amount of the Legislative Add. The other half of the Legislative Add would be eliminated in 2009-10. These cuts will have a significant negative impact on these municipalities, particularly those reductions that will occur in the current year, and we are urging the Legislature to restore these funds.

Mandate Relief: The 2009-10 Executive Budget contains certain mandate relief items, which, if enacted, would give local governments the tools and flexibility to be more efficient, thereby reducing expenses.

- **Pension Reform:** One of the most significant initiatives is the proposal to establish a new retirement tier for non-uniformed employees that would: require a 3% employee contribution for the duration of employment; increase the minimum retirement age from 55 to 62; and eliminate overtime earnings from the final average salary calculation. Although pension contribution rates – as a percentage of payroll – have declined moderately in recent years, currently placing them in the same range as they were in the mid-to-late 1980's, the base upon which pension costs are calculated – that is, salaries – has risen substantially since then. This, coupled with the pension

benefit enhancements that have been granted during this decade, has resulted in the continued rise in the pension bill amounts for many local governments. Additionally, pension rates for 2011 and beyond are expected to rise dramatically due to the steep drop in the stock market.

Since pension benefits for retirees and current public employees are constitutionally protected, creation of a more affordable pension tier will not harm a single existing worker, yet would yield significant savings in years to come for local governments and, in turn, their taxpayers. NYCOM strongly believes, however, that this proposal should be expanded to include a new pension tier for uniformed employees as well. When you consider that the biggest component of a city's budget is typically public safety – which is driven in large part by the salaries upon which pension benefits are based – coupled with the fact that pension rates for uniformed employees are virtually twice that of non-uniformed employees, any pension reform proposal that does not address this aspect of the problem will fall far short of bringing about true property tax relief in New York.

- **Municipal Litigation and Procurement Reforms:** NYCOM fully supports the Governor's proposals to reform local litigation statutes by (1) allowing judgment awards against local governments and the state to be offset by both past and future compensation from all collateral sources and (2) establishing a reasonable market-based method of calculating interest in court judgments similar to the method used in judgments involving the Federal government. NYCOM also fully supports the proposed reforms which would enhance procurement flexibility by increasing competitive bidding limits for local governments from \$20,000 to \$50,000 for public works projects and from \$10,000 to \$20,000 for commodities; authorizing local governments to purchase off of certain Federal IT contracts as well as certain contracts let by other states and local governments; and allowing contracts to be awarded on the basis of "best value" rather than lowest bid. These initiatives represent another no-cost way of easing the burdens placed upon local government while allowing for the more economical delivery of local government services.

Enhanced Revenue Options: NYCOM has been a strong advocate of the Executive Budget proposal to include cellular services within the scope of the utility gross receipts tax (GRT). In 2007, cities received nearly \$56 million in revenue from the GRT, while villages generated an estimated \$28 million. However, many municipalities have, and will likely continue to experience declines as more and more consumers move from land line to wireless phone service. The state and NYC have already made changes to their respective statutes to include cellular services as taxable for purposes of the state's excise tax and the city's gross receipts tax. It only seems appropriate that similar changes be made to the statute governing the GRT for the other 61 cities and more than 360 villages that currently impose such tax.

The Governor's Budget would also permit our largest cities – Buffalo, Rochester, Syracuse and Yonkers – to operate red light cameras and to impose fines of up to \$100 for each red light traffic violation. This authorization will have the dual benefit of improving traffic safety while providing these cities with another revenue source to help offset their municipal expenditures without relying solely on real property tax increases.

Executive Budget Initiatives NYCOM Opposes

In addition to the reduction in AIM funding for 33 cities and the elimination of New York City from the program, NYCOM will express its opposition to the following Executive Budget proposals:

Reduction in CHIPS Funding: NYCOM strongly opposes the Executive Budget's proposal to reduce CHIPS funding by a total of \$112 million, or 31%, year to year. Local governments are responsible for 85% of New York's roads, highways and bridges, many of which are in need of significant repair. At a time when improving our local infrastructure is essential to the recovery and revitalization of our communities and our state, the need for adequate resources for this purpose is more critical than ever.

Empire Zone Program Reforms: While we recognize that the Empire Zone program needs some modification, NYCOM's believes that the Governor's reform proposal goes a step too far, as it would potentially remove tax credits already promised to companies that do not meet a new higher standard of producing at least \$20 in wages and investments for every \$1 that the state spends. At a time when investing in our

struggling economy and bringing businesses and jobs to our communities is of the utmost importance, we cannot “walk away” from deals already made, many of which have had positive impacts for our state. Not only is this counterproductive, but it will very likely discourage future agreements by calling the state's credibility into question. Better record keeping, increased accountability, enhanced oversight and a more targeted focus would all serve to advance the state's Empire Zone Program, making it more affordable while ensuring it generates jobs in our upstate communities. But to jeopardize the benefits the program is currently providing can not, and should not, be the answer.

Unified Merger Proposal: NYCOM is also opposed to the so-called “unified merger” proposal that the Executive Budget contains. Specifically, we strongly believe the provision that would require petitions to initiate the village dissolution or consolidation process contain signatures from only 10% of eligible registered voters is bad public policy. A decision of this magnitude, with so many far-reaching implications, should not rest with such a small percentage of the village electorate, nor should the potential exist for such process to be initiated by a handful of disgruntled citizens. The current requirement that calls for signatures from one-third of registered voters is one that works, and one that makes sense.

Youth Block Grant: The Executive Budget proposes to combine and reduce the funding streams for several critical youth prevention and development programs. In addition, the distribution of the funds would be determined at the county level, which means the communities that actually administer the programs and currently receive this funding directly, would now have to compete with one another to receive their “share.” These proposed revisions would add additional layers of governance to the process and rather than result in a consolidation of services, will bring about a disjointed system that lacks accountability and oversight.

NYCOM's Winter Legislative Meeting

February 22-24, 2009

Albany Crowne Plaza Hotel

NYCOM's Winter Legislative Meeting is the primary occasion each year when our membership gathers in Albany for the single purpose of advancing NYCOM's Legislative Program. This year, in particular, it is critical that New York's policymakers hear our unified message that shifting state taxes and costs onto local governments will hurt the overburdened real property taxpayer.

Invited speakers include: Governor David Paterson, Senate Majority Leader Malcolm Smith, Assembly Speaker Sheldon Silver, Senate Minority Leader Dean Skelos, Assembly Minority Leader James Tedisco, Senator Charles Schumer, State Comptroller Thomas DiNapoli, and Attorney General Andrew Cuomo. In addition to a review of the 2009-10 Executive Budget and NYCOM's Legislative Priorities for the upcoming year, sessions will cover the following topics:

- Pension Reform
- The Federal Stimulus Package
- Village Dissolution
- Dealing with an Aging Population
- Economic Development Initiatives
- Impacts of the Recession on Local Communities

Rooms are going fast and will definitely sell out during the Legislative Session. Do not miss this opportunity to make your concerns heard, while strengthening NYCOM's collective voice in advocating for legislation that benefits municipalities statewide. Registration information has been mailed and is also available on the NYCOM website at www.nycom.org.