



NEW YORK STATE CONFERENCE OF MAYORS AND MUNICIPAL OFFICIALS

*Mayor Gary A. Vegliante, President • Peter A. Baynes, Executive Director*

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February 1, 2010

## **Executive Budget Includes AIM Cuts and Expanded Revenue Options**

Governor Paterson introduced his Executive Budget on January 19<sup>th</sup> and the 2010 Legislative Session is well underway. Given the current economic climate and the broad range of cuts in the budget, cities and villages were fortunate to avoid drastic reductions in state aid under the Governor's plan. That said, NYCOM strongly objects to the decreases in AIM funding and we will urge the Senate and Assembly to restore these cuts in the adopted budget. We strongly encourage you to do the same by contacting your state legislators as soon as possible. Furthermore, many of our state leaders will be addressing our members at NYCOM's Winter Legislative Meeting, February 21-23 at the Albany Crowne Plaza. This is the perfect opportunity to make your concerns heard as well as help to promote NYCOM's 2010 Legislative Program. Additional information about this meeting is below.

What follows are several 2010-11 Executive Budget initiatives impacting cities and villages. For additional information on these items or other issues concerning the state budget, please contact Barbara VanEpps, NYCOM Deputy Director, by calling the NYCOM offices or at [barbara@nycom.org](mailto:barbara@nycom.org)

**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 will be asking both the Senate and Assembly to restore this essential funding. We urge you to assist us in these efforts by relaying this message to your state legislators as well.

**Transportation Aid** – Funding for CHIPS would remain at current year levels totaling \$363 million.

**Local Government Efficiency Grant Program (LGEG)** – Although current grant awards will be honored in full, the amount available for grants under the Local Government Efficiency Grant program (formerly SMSI) would be reduced to \$10 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, 21<sup>st</sup> 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 Budget contains language 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: permitting municipalities to charge for accident reports at levels authorized for the State Police beyond the current .25 per page permitted under FOIL; 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 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.

### **Relief from State Mandates**

- **Moratorium on Unfunded Mandates** – The Executive Budget would impose a four-year moratorium on legislatively enacted unfunded mandates 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 2010-11 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.

**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 and the program's cost would be capped at \$250 million annually.

**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. The Budget would reduce this aid by 10%. Under this proposal, aid to Yonkers, Batavia, Monticello and Vernon would experience a 10% reduction in VLT aid in 2010-11.

**Sale of Wine in Grocery Stores** – The 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.

**Environmental Protection Fund (EPF)** – The Budget proposed 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.

**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, and 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 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's Winter Legislative Meeting**

### **February 21-23, 2010**

### **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 Conference Leader John Sampson, Assembly Speaker Sheldon Silver, Senator Charles Schumer, Senator Kirsten Gillibrand, State Comptroller Thomas DiNapoli, and Attorney General Andrew Cuomo. In addition to a review of the 2010-11 Executive Budget and NYCOM's Legislative Priorities for the upcoming year, sessions will cover the following topics:

- Rising Pension Costs
- The New Process for Village Dissolution
- Excelsior Jobs Program
- Controlling Public Safety Expenses
- Stormwater Management Mandates

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](http://www.nycom.org)