



NEW YORK STATE CONFERENCE OF MAYORS AND MUNICIPAL OFFICIALS

*Mayor John T. McDonald III, President • Peter A. Baynes, Executive Director*

April 1, 2009

## ***Analysis of 2009-10 State Budget***

Over the weekend, Governor Paterson, Senate Majority Leader Smith and Speaker Silver reached agreement on a state budget for 2009-10. The \$132 billion plan – which is in the process of being passed by the State Legislature – closes the state's projected \$17.7 billion deficit and includes approximately \$7.2 billion in federal stimulus funding, some of which was used to restore highly criticized cuts in education and health care funding proposed by Governor Paterson as part of his Executive Budget. NYCOM is pleased to report that the stimulus funding was also used to restore the \$112 million reduction to the CHIPS program, and while local governments did not receive their scheduled increase, AIM funding was maintained at current year levels. The following summarizes those budget initiatives of greatest interest to cities and villages. For additional information on these and other state budget issues, contact Barbara VanEpps, NYCOM Deputy Director, at 518-463-1185 or [barbara@nycom.org](mailto:barbara@nycom.org).

**AIM Funding** – As you may recall, the Executive Budget proposed to maintain the “core” AIM program at the current year level. For most cities and villages, this meant that each would get the same amount of AIM funding in 2009-10 as they receive now. It should be noted, however, that the Governor's Budget would have eliminated \$328 million in AIM funding for NYC. In addition, as part of the Deficit Reduction Plan (DRP) that was agreed to in February, 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 have their AIM funding reduced in the current year by 20% of the amount of the Legislative Add. The remaining 80% of the Legislative Add would be eliminated in 2009-10.

The adopted state budget maintains what was proposed as part of the Executive Budget, meaning that most municipalities will receive the same level of AIM funding they received in the current year. In addition, the Legislature agreed to restore the cut to New York City's AIM funding, providing the City with its full \$328 million in 2009-10.

**AIM Accountability Requirements** – Under the 2009-10 adopted budget, all cities, and those villages that meet all four of the fiscal distress factors that are used to allocate AIM funding, would continue to be required to prepare multi-year financial plans and provide written certification to the Division of the Budget that they have completed such plans. Cities would no longer be required to complete the fiscal accountability reports or the fiscal improvement plans, since these were predicated on the receipt of additional AIM funding. In addition, there are no restrictions on how a municipality must use the AIM funding since those too were tied to the receipt of AIM increases. It should be noted, however, that cities and villages, to the extent possible, are still required to post financial reports on their websites, including their most recent budget, independent audit, and multiyear financial plan.

**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) is reduced by 50%, to \$11.5 million. Similar to the current year grant categories, these monies will fund: high priority and general efficiency planning grants, efficiency implementation grants, and 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.

In addition to the grants, nearly \$2 million of the LGEG funding will be available for consolidation incentives. Specifically, municipalities that merge, consolidate or dissolve are eligible to receive additional AIM funding equal to 15% percent of the municipalities' combined property tax revenue from the previous year, capped at \$1 million.

**Relief from State Mandates** – The Executive Budget contained several mandate relief proposals including:

- **Tier 5 Pension Reform** – The 2009-10 Executive Budget would have established a Tier 5 for new state and local 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. A new tier would also have been established for uniformed employees in the City of New York.
- **Wicks Law Reform** – For a five-year period, the Executive Budget would have increased the Wicks Law threshold from \$3 million to \$10 million in NYC, provided a full Wicks exemption for all school districts, and eliminated the apprentice training program requirement for contractors engaged in a Project Labor Agreement.
- **Judgments Against Municipalities** – The 2009-10 Executive Budget would have (1) allowed judgment awards against local governments and the State to be offset by both past and future compensation from all collateral sources (e.g., insurance, social security and workers' compensation), as they are in the private sector; and (2) established a reasonable market-based method of calculating interest in court judgments similar to the method used in judgments involving the Federal government.
- **Procurement Reform** – The 2009-10 Executive Budget would have enhanced 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; authorized local governments to purchase off of certain Federal IT contracts as well as certain contracts let by other states and local governments; and allowed contracts to be awarded on the basis of "best value" rather than lowest bid.

While none of these proposals were agreed to as part of the final state budget, we understand that at least some of them will be revisited after the budget is completed. NYCOM will continue to strongly advocate for these and other mandate relief initiatives throughout the remainder of the Legislative session, as a way of providing important local relief at no cost to the state.

**Transportation Aid** – The Executive Budget proposed to reduce funding for CHIPS by \$112 million or nearly 31%, from \$363 million currently to \$251 million in 2009-10. However, at the request of the Governor, the Legislature has agreed to use a portion of the funding that New York will receive from the American Recovery and Reinvestment Act (i.e., the Federal Stimulus Bill) to fully restore the cut in CHIPS funding for municipalities, including New York City. Marchiselli Aid will remain at the current year level of \$39.7 million.

**Enhanced Local Revenue Initiatives** – The Executive Budget proposal that would have included cellular services within the scope of the utility gross receipts tax currently imposed by many cities and villages was not agreed to as part of the final state budget. In addition, the adopted budget did not address the proposed authorization for red light cameras in the cities of Buffalo, Rochester, Syracuse and Yonkers, or the expansion of red light cameras in the City of New York. However, the State Legislature has introduced and is considering individual bills for these cities that would allow them to install such devices.

**Local Efficiency Initiatives** – The Executive Budget proposals that would have relaxed the requirements for forming a municipal cooperative health benefit and facilitated shared highway service agreements among municipalities, as well as between municipalities and state agencies, were rejected by the State Legislature.

**Municipal Consolidation/Dissolution Process** – The Executive Budget proposal that would have established a single merger process and required that petitions to initiate village dissolution or consolidation contain signatures from only 10% of eligible registered voters was rejected by the Legislature. However, it is likely that this issue will be taken up by the Senate and the Assembly prior to the end of the Legislative Session.

**Restore NY** – The Budget includes the unspent funds for the third round of the Restore NY program, providing the full \$150 million in grant money that was authorized in 2008-09 for the revitalization of commercial and residential properties. The deadline to apply for this funding is **May 4, 2009**, and awards will be announced soon thereafter.

**Empire Zones** – Similar to the Executive Budget, the adopted state budget includes, but to a lesser extent, reforms to the Empire Zones Program to reduce the overall cost of the program and to ensure it is serving the purpose for which it was intended. Specifically, the changes would require all existing participants to demonstrate that they are producing at least \$1 in wages and investments for every \$1 that the state spends. New program participants will be subject to a 20:1 benefit cost ratio (the ratio will be 10:1 for manufacturers). In addition, the current program will sunset on June 30, 2010 – one year earlier than originally scheduled.

**Aid for Municipalities with Video Lottery Terminals (VLTs)** – Under current law, 17 municipalities receive state aid to help offset the cost associated with being a “host community” for video lottery gaming operations. The adopted budget changed the way these funds are distributed by considering the poverty rate in each of these communities, as compared to the statewide average. Under this proposal, aid to the City of Yonkers and the Villages of Monticello and Vernon will continue at current year levels. The City of Batavia will receive half of its current year amount and the City of Saratoga Springs is eliminated from the program under this new methodology.

**Youth Block Grant** – The Executive Budget proposal to combine and reduce, from \$118 million to \$90 million, the funding streams for several critical youth prevention and development programs, and to allow the counties to determine the distribution of such funding, was rejected by the Legislature. However, the adopted budget does reduce the overall amount of aid for these programs by approximately \$4.3 million.

**Sale of Wine in Grocery Stores** – The Executive Budget proposal 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, was rejected by the Legislature.

**The Bigger Better Bottle Bill** – Consistent with the Executive Budget proposal, the adopted state budget will expand the current Bigger Better Bottle Bill to include a five cent deposit on bottled water and bottled flavored water. The increased revenues associated with this proposal will go into the state’s general fund.

**Environmental Protection Fund (EPF)** – The adopted budget increases the EPF, from \$205 million (the level agreed to as part of the February Deficit Reduction Plan) to \$222 million, and restores the Real Estate Transfer Tax, which will provide nearly \$200 million in 2009-2010, as the primary funding source for the EPF. The \$222 million level includes \$135.2 million in the Open Space Program, \$17.6 million in the Solid Waste Program and \$69.1 million in the Parks and Recreation Program.

**Prison Closures** – The adopted budget calls for the accelerated closure of three prison camps, including Pharsalia in Chenango County; McGregor in Saratoga County; and Gabriels in Franklin County.

**Taxes and Fees** – The Enacted Budget includes numerous taxes and fees that, according to the Division of the Budget, will produce \$5.3 billion in revenues in 2009-10. The largest increase is a temporary Personal Income Tax Surcharge for higher-income taxpayers. This will temporarily increase the marginal State personal income tax rate for single filers with incomes above \$200,000, and joint filers with incomes above \$300,000, for a three-year period from tax year 2009 to tax year 2011.

**Taxes on State-Owned Lands** – The Executive Budget proposed to freeze payments for taxes on state-owned lands at current year levels. In addition, the City of Albany would have been subjected to a 6% reduction in the level of PILOT payments it currently receives for certain state-owned properties. Neither of these proposals were included as part of the adopted budget.

**STAR Administration Funding** – The adopted budget eliminates the \$3.3 million in funding to assist communities in the administration of the state's STAR program.

**Sales Tax Collection on Native Americans Lands** – The Budget assumes approximately \$120 million in increased revenues due to the enforcement of the collection of State excise/sales taxes on cigarettes and motor fuel purchased on Indian-owned lands.

**Member Items** – The adopted budget includes \$170 million in new member item funding which will be split evenly between the Senate and Assembly.

---

**2009 Main Street Economic Development Conference  
Dealing with Neglected, Vacant, Abandoned and  
Foreclosed Properties  
April 30, 2009  
Canandaigua Inn on the Lake**

*Presented in Cooperation with NYS Division of Housing and Community Renewal*

This year's NYCOM Main Street Economic Development Conference will have a special focus on how the current recession is affecting New York's local economies and how our communities can respond to deal with the challenges facing them. In particular, the conference will highlight the procedures for dealing with the foreclosure crisis and vacant and abandoned properties and will include presentations from experts on these issues. In addition, there will be panels of officials from around the state highlighting how they have addressed these matters in their communities.

The following topics among others, are tentatively scheduled to be covered at the Conference:

- Criminal and Civil Enforcement of Property Maintenance Laws;
- Dealing with Rental Properties and Absentee Landlords Using Inspection and Agent Registration Programs;
- Methods for Avoiding Foreclosures and Real Estate Speculation;
- Getting Vacant and Abandoned Properties into the Hands of Responsible Property Owners;
- Land Banks What Are They and Can They Work in New York; and

The Conference will also have sessions on traditional Main Street topics including Main Street Practices, the New York Main Street Program, Innovative Traffic and Parking Solutions, and Regional Planning and Zoning.

For additional information, a tentative agenda and to register for this important event, visit our web site at [www.nycom.org](http://www.nycom.org).

**DON'T MISS NYCOM'S NEW OFFICIALS' WORKSHOPS**

***DOWNSTATE –***  
**Thursday, April 23, 2009**  
**Hilton Long Island, Huntington**

***UPSTATE –***  
**Friday, May 1, 2009**  
**Craftsman Inn, Fayetteville**

The NYCOM New Officials' Workshop is an excellent opportunity for new and veteran municipal officials to learn the "nuts and bolts" of local government administration in a relaxed and informal setting. Sessions will be presented by the experienced NYCOM staff, including three attorneys and experts in labor relations and municipal finance.

We have developed a comprehensive one-day program that offers practical information in a stimulating and interactive learning environment. You will come away from this training event with a clearer understanding of your daily responsibilities as a local official, as well as valuable problem-solving strategies. You will also interact with mayors, board/council members, and appointed local officials from across the state who face similar challenges.

The following topics are tentatively scheduled to be covered at the Conferences:

- New York Local Government 101
- Pitfalls of Public Office
- Local Government Finance
- A Municipality and its Role as an Employer

For additional information, a tentative agenda and to register for this event, visit our web site at [www.nycom.org](http://www.nycom.org).

## 2009 Local Government Achievement Awards Program

NYCOM and the *Empire State Report* magazine co-sponsor the annual Local Government Achievement Awards program each spring, and NYCOM's member municipalities are encouraged to submit applications for consideration. This year applicants are asked to submit projects in the areas of **Economic Development**, **Public Works**, **Public Safety** and/or **Government Administration**.

Projects must have been completed by: March 1, 2009. Only NYCOM member municipalities are eligible. Please submit no more than two (2) projects for consideration. Applications and supporting materials must be received by: April 24, 2009.

If you are a NYCOM member with an innovative project that improves your community's quality of life and can be utilized by other municipalities, you are encouraged to participate in this highly regarded awards program. Winners will be recognized by NYCOM and *Empire State Report* at NYCOM's Annual Meeting and will also be highlighted in the NYCOM *Municipal Bulletin*, featured in the Best Practices portion of the "Members-only" section of our Web site, and in the *Empire State Report* magazine. The National League of Cities will be awarding the winning programs and projects with a certificate and will include the summaries in their Examples Database of award winning projects nationwide.

For additional information, and to download an application, visit our web site at [www.nycom.org](http://www.nycom.org).