To: Mayors, Managers, Administrators, Fiscal Officers and Attorneys

From: Barbara Van Epps, NYCOM Deputy Director

Re: 2019-20 Executive Budget Released

The Governor released his 2019-20 Executive Budget yesterday afternoon for the fiscal year beginning April 1, 2019. NYCOM will be sending you a comprehensive analysis of the Budget's impact on cities and villages, but in the meantime we wanted to highlight some of the proposals of greatest importance to our members.

While we were successful with respect to our requests for increases in funding for water and sewer infrastructure, the Internet sales tax and the calculation of the interest rate on judgments, the Governor is proposing to eliminate AIM funding to a majority of villages as described below.

AIM Funding
While cities would receive the same amount as they do currently, the Governor has proposed to eliminate AIM funding for those villages whose AIM amount is less than 2% of their local fiscal year 2017 expenditures. This would take a total of $16.4 million away from 480 of the 531 villages across the State. The list of proposed AIM amounts may be found here. We have already begun the fight to get this cut restored and hope we can count on you to assist in this effort.

Other Budget Initiatives of Importance

- The Governor proposes to make the tax cap permanent and includes no changes with respect to how the tax cap is calculated or administered.

- An additional $2.5 billion would be provided for drinking water and wastewater infrastructure as well as water quality protection over a five year period. This would be in addition to the five-year $2.5 billion Clean Water Infrastructure Act that was created in 2017-18.

- There is no proposed increase in CHIPS funding and the $65 million in Extreme Winter Recovery funding is not continued under the Executive Budget.

- The Budget would change the interest rate on court judgments or accrued claims from a 9% fixed rate to a market rate. This would not only generate savings but encourage timely court proceedings.
• The Budget would legalize recreational marijuana for those 21 years of age and older. Marijuana sold by wholesalers to retailers would be subject to three different taxes including a 2% tax on the invoice price of the sale by a wholesaler to a retail dispensary. The revenue from this 2% excise tax would go to the county in which the retailer is located. Every county regardless of population and cities with populations of greater than 100,000 would have the ability to opt out of having marijuana dispensaries located within their borders.

• The Budget includes funding for a fourth Downtown Revitalization competition where 10 communities would each receive $10 million.

• The Budget proposes to extend binding arbitration for public safety unions for an additional five years, until 2024.

• The Budget would require all local elected officials who earn an annual government salary of more than $50,000 to file annual statements of financial disclosure with the Joint Commission on Public Ethics.

• The Budget also proposes to ban the use of plastic bags (and preempt any such local bans) and expand the definition of beverages for purposes of the bottle bill to include sports drinks, energy drinks, fruit and vegetable beverages and ready-to-drink teas and coffee.

In addition, the 2019-20 Executive Budget would increase local revenues by:

• Requiring marketplace providers to collect sales and use tax on the taxable sale of tangible personal property that they facilitate. This initiative relieves sellers using marketplace providers of the responsibility to collect the tax. This proposal would increase local sales tax revenue by an estimated $280 million annually, including $121.8 million for NYC and $17 million for other cities and villages. In addition to the marketplace providers proposal, and consistent with the United States Supreme Court ruling in South Dakota v. Wayfair, Inc., out-of-state retailers whose sales in New York exceed $300,000 or 100 transactions will be notified by the Tax Department that they are required under the New York Tax Law to collect and remit sales tax. This would generate approximately $110 million in sales tax annually, including $47.8 million for NYC and $6.7 million for other cities and villages.

• Eliminating the sales tax exemption on the non-residential transmission and distribution of gas or electricity when purchased from an ESCO (Energy Service Company), which would increase city (outside NYC) and village sales tax revenue by $4.5 million.

If you have any questions or concerns, feel free to contact me. Please keep in mind that these proposals will be discussed at NYCOM's Winter Legislative Meeting at the Hilton Albany, February 10-12.