State Budget Update
Comparison between One-House Budgets and Executive Budget

The Senate and Assembly released their one-house budgets yesterday and plan to pass them today. The difference between these budgets and the Governor’s Executive Budget must be reconciled prior to final adoption of a State Budget for the state fiscal year beginning April 1, 2019. Highlights of their positions on several key issues are below:

AIM Funding – The 2019-20 Executive Budget proposes 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.

Legislative Response: We are pleased to report that both the Senate and Assembly one-house budgets restore the entire cut in AIM funding. In addition, the Senate Budget includes $70 million for distressed local governments including the City of Albany and the City of Yonkers. At this time it is unclear who else will be eligible to receive these funds or how such money will be allocated.

Transportation Aid – Funding for CHIPS and Marchiselli Aid in the 2019-20 Executive Budget would remain at current year levels of $438 million and $39.7 million, respectively. It should be noted that this year’s $65 million Extreme Winter Recovery money for the repair and resurfacing of local roads was not included in the Governor’s proposal.

Legislative Response: The Assembly budget restores the $65 million Extreme Winter Recovery money. The Senate budget increases CHIPS base funding by $150 million and restores the $65 million in Extreme Winter Recovery money. It is also worth noting that the Assembly budget includes an increase in the arterial maintenance reimbursement rate (from $.85 to $1.87 per square yard) phased in over three years for the 38 cities that maintain State highways.

Water and Sewer Infrastructure – The Executive Budget proposes to add another $2.5 billion – including $500 million in the 2019-20 State fiscal year – for drinking water and wastewater infrastructure, as well as water quality protection over a five year period. This money would supplement the amounts already made available under the five-year $2.5 billion Clean Water Infrastructure Act that was created in 2017-18.

Legislative Response – The Assembly agrees with the Governor’s proposal to add a total of $2.5 billion over a five year period, of which $500 million will be allocated in 2019-20. The Senate also agreed to $2.5 billion for clean water infrastructure over a multi-year period but included the entire $2.5 billion in their one-house bill.
**Internet Sales Tax** – The Executive Budget includes a proposal that would require 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 and 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, consistent with the United States Supreme Court ruling in South Dakota v. Wayfair, Inc., the State has advised out-of-state retailers whose sales in New York exceed $300,000 or 100 transactions that they are required under the New York Tax Law to collect and remit sales tax. This is expected to generate approximately $110 million in sales tax annually, including $47.8 million for NYC and $6.7 million for other cities and villages.

*Legislative Response:* Both the Senate and Assembly accepted the Governor’s Internet sales tax proposal.

**Tax Cap** – The Executive Budget proposes to make the tax cap permanent and includes no changes with respect to how the tax cap is calculated or administered. The Governor has stated that he will not sign a state budget that does not contain this provision.

*Legislative Response:* The Assembly budget does not include a tax cap proposal. The Senate already passed a bill that would make the tax cap permanent but Majority Leader Stewart-Cousins says she is willing to consider modifications to the tax cap formula.

**Legalization of Recreational Marijuana** – The Executive Budget provides for the legalization of recreational marijuana for those 21 years of age and older. All counties and those cities with populations greater than 100,000 would have the ability to opt-out which would allow them to prohibit any establishment or operation involving the cultivation, processing, distribution and sale of adult-use cannabis within the boundaries of the county or city. None of the excise tax revenue would flow to cities, towns or villages under the Governor’s proposal.

*Legislative Response:* Neither the Assembly or the Senate included the Governor’s language in their one-house budgets since both have different views on a variety of issues including program administration and the allocation and use of revenues. The Assembly did include $35 million in its budget for the creation of a state marijuana regulatory office.

**Prevailing Wage** – While the Governor has made clear his interest in expanding prevailing wage, the Executive Budget did not include language in this regard. However, both the Senate and Assembly budgets include language that would expand prevailing wage to cover a greater portion of publicly subsidized development projects. To summarize, the Assembly proposal would include construction projects receiving a certain amount of public money as well as where there is certain amount of public involvement. The Senate language also expands prevailing wage requirements to projects “supported by public dollars” but acknowledges that consideration should be given to concerns involving such issues as regional cost differentials, IDA and LDC incentives, affordable housing and MWBE opportunities. NYCOM will continue to update you on this proposal as budget negotiations continue.

If you have any questions or concerns about specific programs/policies under negotiation in the State Budget, please feel free to contact Barbara Van Epps at Barbara@nycom.org or 518-463-1185.