

Local Government

Aid and Incentives for Municipalities (AIM)
Miscellaneous Local Aid Programs
Overall Fiscal Impact on Local Governments

I. Overview

The Aid and Incentives for Municipalities (AIM) program is the State's primary vehicle for providing direct aid to local governments. Along with AIM, the State provides incentive grants to local governments under the Local Government Efficiency Grant program, which promotes local efforts to increase efficiency through consolidation or shared services.

Each year, the Executive Budget includes a local government fiscal analysis that summarizes the impact of budget recommendations across all program areas by class of local government. This local fiscal impact overview is presented in Section VI.

II. History/Context

The AIM program was created in 2005-06 to consolidate various unrestricted local aid funding streams. For municipalities outside New York City, this initiative tied increases in State aid to fiscal accountability improvements such as the development of multi-year financial plans, and required a local commitment to minimize property tax growth. In 2007-08 and 2008-09, additional aid was targeted primarily to distressed upstate municipalities under a formula that provided annual increases ranging from 3 percent to 13.5 percent based on fiscal distress criteria.

From 2004-05 to 2010-11, AIM payments to local governments outside New York City grew from \$465 million to \$729 million, a \$264 million or 57 percent increase. The 2010-11 Enacted Budget eliminated New York City's AIM payment.

The level of local reliance on AIM funding varies widely by municipal class of government. Some municipalities rely on AIM for more than 25 percent of total revenue, while in other municipalities, AIM accounts for less than 1 percent of total revenue. AIM as a percentage of total All Funds revenue for towns is 0.8 percent, and for villages is 0.9 percent. AIM as a percentage of city general fund revenue is as follows:

City	AIM as % of Revenue
New York City	0.5
Other Cities	12.6
Rochester	25.9
Yonkers	30.4
Syracuse	35.9
Buffalo	47.6

III. Proposed 2011-12 Budget Actions

The Executive Budget recalibrates the program by directing aid to the neediest municipalities and creates a strong foundation for restructuring local governments by encouraging and rewarding local government efficiency through targeted aid that incentivizes more cost-effective operations. This effort is aimed at encouraging all levels of government to economize while maintaining necessary services for the citizens of New York.

The proposal will reduce AIM for all cities, towns and villages by 2 percent from current year levels. In addition, to consolidate aid to local governments and concentrate available funding, the Executive Budget will reduce or eliminate narrowly focused programs including Video Lottery Terminal (VLT) Impact Aid, Small Government Assistance and Miscellaneous Financial Assistance. Given its limited reliance on AIM, New York City will continue to receive no funding under the program.

Local governments will save \$2.4 billion in local fiscal years ending in 2012 as a result of the continued cap on increases in local Medicaid costs - under which the State assumes all costs above the level of the cap - and the State assumption of costs for the Family Health Plus program. The value of these savings far exceeds the costs to local government of the Executive Budget proposals.

To help local governments reduce spending with the least impact on operations, Governor Cuomo has created the Mandate Relief Redesign Team by Executive Order. This team is conducting a rigorous and comprehensive review of mandates imposed on local governments in order to seek the best, most cost-efficient and cost-effective ways to deliver mandated programs and services and to identify mandates that are ineffective, unnecessary, outdated and duplicative. The Team will report to the Governor on March 1, 2011.

IV. Summary of Spending

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
AIM – NYC	0	0	0	0
AIM – Towns and Villages	69.0	67.6	(1.4)	(2)
AIM – Cities Outside NYC	660.3	647.1	(13.2)	(2)
Total AIM	729.3	714.7	(14.6)	(2)
VLT Impact Aid	25.8	19.6	(6.2)	(24)
Miscellaneous Financial Assistance	3.9	0	(3.9)	(100)
Small Government Assistance	2.1	0	(2.1)	(100)
Other Local Aid Programs	19.0	21.6	2.6	14

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Maintain AIM Policy for New York City	301.7	301.7
Reduce AIM for Cities, Towns and Villages	19.8	19.8
Eliminate VLT Impact Aid (outside of Yonkers)	6.2	6.2
Eliminate Small Government Assistance	3.9	3.9
Eliminate Miscellaneous Financial Assistance	2.1	2.1
Total	333.7	333.7

- **Maintain AIM Policy for New York City.** Consistent with 2010-11, the Executive Budget would not provide AIM funding for New York City. Unlike other cities, which are heavily reliant on AIM and property taxes to support their budgets, New York City has a range of local revenue sources, including a personal income tax and business taxes. AIM accounts for only 0.5 percent of the City's total General Fund revenues. *(2011-12 Value: \$301.7 million; 2012-13 Value: \$301.7 million)*
- **Restructure Aid to Municipalities, Cities, Towns and Villages.** The Executive Budget provides all cities, towns and villages with 2 percent less AIM funding than they received in 2010-11. *(2011-12 Value: \$19.8 million; 2012-13 Value: \$19.8 million)*

To encourage efficiency and innovation in the face of declining revenues, the Executive Budget provides \$79 million in appropriations for programs that reward local government consolidation and performance improvements. Of this amount, \$35 million is for Citizen Empowerment Tax Credits and Citizens Reorganization Empowerment Grants, and \$40 million is for the Local Government Performance and Efficiency Program, as allocated below:

- **Citizen Empowerment Tax Credits.** Funding would be available to incentivize local government consolidation or dissolution, providing a bonus equal to 15 percent of the newly combined local government's tax levy. At least 50 percent of such amount must be used for direct relief to property taxpayers.
- **Citizens Reorganization Empowerment Grants.** Funding would be available for grants up to \$100,000 for local governments to cover costs associated with studies, plans and implementation efforts related to local government re-organization activities.
- **Local Government Performance and Efficiency Program.** Funding would be available for competitive one-time awards of up to \$25 per capita, capped at \$5 million, that recognize local governments that have achieved efficiencies and performance improvements.

- **Local Government Efficiency Grants.** Funding of \$4 million would continue to cover costs associated with local government efficiency projects, such as planning for and/or implementation of a functional consolidation, shared or cooperative services, and regionalized delivery of services. The maximum grant award for a project is \$200,000 per municipality or \$1 million total, and local matching funds of 10 percent of the total cost of the activities under the grant work plan are required.

To consolidate State spending for local governments, the following programs will be eliminated:

- **Video Lottery Terminal (VLT) Impact Aid Outside of Yonkers.** VLT Impact Aid funding was first allocated in 2007-08 to help localities that host Video Lottery Terminals address potential costs associated with these operations. The Executive Budget eliminates payments to all eligible municipalities that host VLT facilities, other than the City of Yonkers. Yonkers will continue to receive \$19.6 million in VLT Impact Aid funding, which is used to support its dependent school district. *(2011-12 Value: \$6.2 million; 2012-13 Value: \$6.2 million)*
- **Miscellaneous Financial Assistance.** The Executive Budget eliminates identical \$1.96 million financial assistance payments to both Madison and Oneida counties that were instituted in 2005-06 to provide interim assistance related to Indian land claims. *(2011-12 Value: \$3.9 million; 2012-13 Value: \$3.9 million)*
- **Small Government Assistance.** The Executive Budget eliminates aid payments for three counties and 26 school districts under this program. Created in 2004-05, this program has provided only partial relief to a small percentage of governments affected by State forest property tax exemptions. *(2011-12 Value: \$2.1 million; 2012-13 Value: \$2.1 million)*

VI. Overall Fiscal Impact on Local Governments

Executive Budget actions result in a year-to-year reduction in aid of \$1.83 billion for municipalities for their fiscal years ending in 2012. However, the ongoing benefit of the State's existing cap on local Medicaid expenditures and the continued benefit from the State's takeover of the Family Health Plus (FHP) program provides \$2.4 billion in fiscal relief for counties and New York City, resulting in a net benefit of \$545 million.

For New York City and school districts, the largest reduction results from proposed education aid reductions that follow recent years of record school funding increases. Including savings from continuing the Medicaid cap, counties will experience a \$753 million net positive impact and New York City will experience a net positive impact of \$918 million. Cities, towns and villages combined will experience a \$25 million decrease in funding from 2010-11 primarily associated with the reduction in AIM for cities, towns and villages. School districts will be eligible to compete for \$500 million from the School District Performance Improvement Awards and School District Management Efficiency Awards programs, while local governments can benefit from the consolidation & performance bonuses proposed on the Executive Budget.

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IMPACT OF THE 2011-12 EXECUTIVE BUDGET ON LOCAL GOVERNMENTS (LOCAL FISCAL YEAR ENDING IN 2012 – \$ IN MILLIONS)

	Total	NYC	School Districts (outside NYC)	Counties	All Other
School Aid / Education	(1,641.6)	(579.7)	(1,061.9)	0.0	0.0
Municipal Aid	(26.8)	0.0	(1.9)	(5.9)	(19.0)
Human Services	(114.2)	(64.7)	(34.5)	(15.0)	0.0
Public Protection	(14.0)	(7.0)	0.0	(7.0)	0.0
Health	(11.7)	(5.4)	0.0	(6.3)	0.0
All Other Local Impacts	(19.1)	(2.6)	(2.8)	(7.8)	(5.9)
Total 2011-12 Exec Budget Actions¹	(1,827.4)	(659.4)	(1,101.1)	(42.0)	(24.9)
Medicaid Cap & FHP Takeover Savings ²	2,372.8	1,577.8	0.0	795.0	0.0
Grand Total	545.4	918.4	(1,101.1)	753.0	(24.9)

(1) The above impact does not include \$500M performance incentive funding for schools, and a \$40M local government performance and efficiency program.

(2) Medicaid Cap Savings exclude proposed 2011-12 cost containment initiatives which – if enacted – will lower the State's cost for the cap.

IMPACT OF THE 2011-12 EXECUTIVE BUDGET ON LOCAL GOVERNMENTS (LOCAL FISCAL YEARS ENDING IN 2011-2014– \$ IN MILLIONS)

	LFY Ending in 2011	LFY Ending in 2012	LFY Ending in 2013	LFY Ending in 2014
NYC	(22.0)	(659.4)	(342.6)	21.6
School Districts (outside NYC)	(8.3)	(1,101.1)	(631.2)	(67.4)
Counties	(31.9)	(42.0)	(45.1)	(41.2)
All Other	(9.5)	(24.9)	(24.5)	(23.8)
Total 2011-12 Exec Budget Actions	(71.7)	(1,827.4)	(1,043.4)	(110.8)
Medicaid Cap & FHP Takeover Savings ¹	1,844.4	2,372.8	2,915.3	3,516.5
Grand Total	1,772.7	545.4	1,871.9	3,405.7

(1) Medicaid Cap Savings exclude proposed 2011-12 cost containment initiatives which – if enacted – will lower the State's cost for the cap.