

The FY 2018 Executive Budget continues Governor Cuomo's commitment to reducing property taxes, improving local government efficiency, and assisting distressed local governments, while maintaining most core local government assistance support. Most notably, the Budget establishes a new initiative for voter-approved county-wide shared services plans to help reduce the burden of high property taxes.

Overview

Federal, state and local governments share in responsibility for funding and providing public services. It is incumbent on each to develop budgetary practices that enable improved service delivery while lowering taxpayer costs.

Under Governor Cuomo, New York State has improved services while holding annual spending growth to 2 percent. The State's commitment to finding and capturing efficiencies has positive impacts for all levels of government. For example, the Medicaid Redesign Team is containing growth in health care costs, allowing the State to take over all local Medicaid growth and creating Medicaid savings for the Federal government. Local property taxpayers, State taxpayers, and Federal taxpayers all benefit.

The Budget encourages efficiency across all levels of government, and provides aid to assist local government in the provision of services.

New York's local government assistance programs provide general purpose aid to municipalities, as well as targeted grant programs and incentives for local government efficiency and consolidation actions. The Aid and Incentives to Municipalities (AIM) program provides unrestricted, general purpose aid to cities, towns, and villages.

Grant and incentive programs that provide funding related to municipal shared services, efficiencies, and consolidations include: Citizens Reorganization Empowerment Grants, Citizen Empowerment Tax Credits, Local Government Efficiency Grants, the Local Government Performance and Efficiency Program, the Municipal Restructuring Fund, and the Municipal Consolidation and Efficiency Competition.

Budget Highlights

County-wide Shared Services Property Tax Savings Plans.

This initiative requires counties to prepare plans to address the crushing burden of property taxes through shared services that generate real, recurring savings, subject to voter approval by county-wide referendum.

Design-Build Procurement.

Expands the authorization for design-build procurement to include counties outside of New York City.

Aid and Incentives for Municipalities.

Maintains core local government assistance through the AIM program at \$715 million in FY 2018.

Local Impact.

FY 2018 Executive Budget actions will provide a net positive impact of nearly \$1 billion for all local governments on a local fiscal year basis in 2018. After Executive Budget actions, local governments would receive a total of more than \$40.8 billion in State support through major local aid programs and savings.

Mandate Relief to Counties.

The Budget maintains support for the takeover of county Medicaid costs by eliminating required growth over the prior year. Local Medicaid savings will total \$3.2 billion in FY 2018.

Performance Profile

Property Tax Cap is Controlling Tax Growth.

Under the Property Tax Cap, the typical taxpayer will have saved more than \$2,100 in local property taxes through 2016.

Taxpayers are Receiving Significant Benefits.

Through the Property Tax Cap and the Property Tax Freeze, local taxpayers will have saved more than \$17 billion through 2016.

New Property Tax Credit is Providing Further Relief.

The Property Tax Credit, enacted in 2015, will provide an additional \$1.3 billion in property tax relief and an average credit of \$530 when the program is fully phased-in by 2019.

Other programs provide aid to specific local governments, including Aid to Municipalities with Video Lottery Gaming Facilities (VLT Impact Aid), Miscellaneous Financial Assistance, and Small Government Assistance.

The Financial Restructuring Board for Local Governments assists distressed municipalities by conducting Comprehensive Reviews to develop recommendations for restructuring and improving fiscal stability. The Board may offer grants or loans to help implement its recommendations.

Addressing the Property Tax Burden

New York residents face some of the highest property tax burdens in the nation. Since taking office, Governor Cuomo has focused on fighting this burden by capping property taxes, improving local government efficiency, restructuring distressed local governments, and relieving mandates.

Property Tax Relief Programs

In his first year in office, Governor Cuomo advanced and secured approval of one of the strongest property tax caps in the country. Since enactment of the cap, property taxes have grown by an average of just 2.2 percent per year – less than half the average annual growth from 2000 to 2010.

To provide further relief, in 2014 the Governor worked with the Legislature to enact the Property Tax Freeze. The freeze program provides New York homeowners an average of \$500 in direct relief over three years, bringing the combined average savings from the tax cap and the tax freeze to \$2,600. The freeze program also encourages local shared services, cooperation agreements, mergers, and efficiencies.

As a result of the tax cap and the tax freeze program, local taxpayers will have saved more than \$17 billion through 2016. To ensure that this savings continues, at the end of the 2015 Legislative session, the Governor and Legislature extended the property tax cap through 2020.

In June 2015, an additional program was enacted to provide direct relief to struggling New York taxpayers – the Property Tax Credit. The program is progressively structured so that taxpayers with lower incomes receive a higher benefit. When the program is fully phased-in in 2019, it will provide \$1.3 billion of property tax relief and an average credit of \$530.

Improving Local Government Efficiency

One of the drivers behind New York’s high local government cost and property tax burden is its duplicative and overlapping local government structure. To address this problem, the State provides a variety of grant and incentive programs for local governments.

As part of the FY 2017 Budget, Governor Cuomo advanced and secured approval of the Municipal Consolidation and Efficiency Competition, a \$20 million competition designed to empower counties and other local governments to pursue opportunities for consolidation, shared services, and other changes that permanently reduce the property tax burden. This competition is designed to inspire aspirational consolidation ideas that will change the structure of local government.

In addition to the Municipal Consolidation and Efficiency Competition, the FY 2018 Executive Budget continues funding for other programs that improve local government efficiency. This support will empower local governments and school districts to implement actions that reduce the property tax burden on their taxpayers.

- **Citizens Reorganization Empowerment Grants.** Funding of up to \$100,000 is available to local governments for planning and implementing reorganization activities, such as consolidations and dissolutions. This program shares a \$35 million appropriation with the Citizen Empowerment Tax Credits.
- **Citizen Empowerment Tax Credits.** For cities, towns, or villages that consolidate or dissolve, these tax credits provide an annual aid bonus equal to 15 percent of the newly combined local government’s tax levy. At least 70 percent must be used for direct relief to property taxpayers. This program shares a \$35 million appropriation with the Citizens Reorganization Empowerment Grants.
- **Local Government Efficiency Grants.** These competitive grants provide funding to help cover costs associated with local government efficiency projects, such as consolidation or shared services. The maximum implementation grant award is \$200,000 per municipality/\$1 million per grant consortium, and the maximum planning grant award is \$12,500 per municipality/\$100,000 per grant consortium. A \$4 million appropriation supports this program.
- **Financial Restructuring Board Awards.** Grants and/or loans of up to \$5 million per municipality may be awarded by the Financial Restructuring Board for Local Governments.

- **Municipal Restructuring Fund.** Funding is provided to help local governments implement projects that will substantially transform the delivery of services or consolidate government entities, yielding permanent property tax reductions. A total of \$25 million in funding is available for eligible projects.

Restructuring Distressed Local Governments

The Financial Restructuring Board for Local Governments was created in 2013 to help distressed local governments restructure and regain solvency before the strict enforcement of a control board is needed. The ten-member board is chaired by the Budget Director and includes the State Comptroller, the Attorney General, the Secretary of State, and six other members appointed by the Governor. Of these six appointees, one is recommended by the Temporary President of the Senate, and one is recommended by the Speaker of the Assembly.

Any eligible county, city, town, or village may request a Comprehensive Review from the Board. The Review will assess the local government's operations, finances, and management structure. Based on this information, the Board may make recommendations on restructuring municipal operations to improve the local government's finances and efficiency. In addition, the Board can offer grants and/or loans of up to \$5 million per municipality through the Local Government Performance and Efficiency Program to implement the recommendations. To receive the aid, the local government must agree to fulfill the terms of the recommendations. To date, the Board has undertaken Comprehensive Reviews for seventeen local governments.

Relieving Local Government Mandates

Governor Cuomo made mandate relief a priority and has eliminated dozens of burdensome requirements, including many of the most expensive. These important reforms are helping local governments manage their budgets and reduce the burden placed on property taxpayers. Among the most important reforms advanced by the Governor and enacted are:

- **Medicaid Relief.** The State has eliminated growth in the local share of Medicaid, saving counties \$3.2 billion in FY 2018. All growth in the Medicaid program for counties is being absorbed by the State. The State is also assuming Medicaid administrative responsibilities for counties. This will result in greater efficiencies and help achieve health care reform initiatives.
- **Pension Reform.** In recent years, pensions have been one of the fastest growing costs for local governments and school districts. In 2012, a new pension tier was created in the State pension system that will save the State, local governments, and school districts more than \$80 billion over the next 30 years.

- **Binding Arbitration.** After decades of local government calls for change to the binding arbitration process with police and fire unions, reforms were enacted in 2013 to require arbitrators to give significant weight to a distressed local government's ability to pay and to consider the property tax cap when making awards. This will help ensure that awards reflect the high burden already faced by property taxpayers in these communities. The FY 2017 Budget extended these reforms for an additional three years, until 2019.

Table 11: Summary of Spending

Category	FY 2017 (millions)	FY2018 (millions)	Change	
			Dollars (millions)	Percent
AIM – Cities Outside NYC	647.1	647.1	0	0
AIM – Towns and Villages	67.6	67.6	0	0
Total AIM	714.7	714.7	0	0
Citizens Empowerment Tax Credits and Grants*	2.0	2.5	0.5	25
Local Government Efficiency Grants*	4.0	5.0	1.0	25
Local Government Performance and Efficiency Program*	8.9	10.0	1.1	13
VLT Impact Aid	29.3	28.6	(0.7)	(2)
Miscellaneous Financial Assistance	13.7	2.3	(11.4)	(84)
Village Per Capita Aid	2.0	0.0	(2.0)	(100)
Small Government Assistance	0.2	0.2	0	0

* For FY 2017, Citizens Empowerment Tax Credit and Grants, Local Government Efficiency Grants, and the Local Government Performance and Efficiency Program are being funded out of the Special Infrastructure Account instead of the General Fund. A portion of anticipated spending for these programs in FY 2018 will also be funded in this manner.

Proposed FY 2018 Budget Actions

- **Countywide Shared Services Property Tax Savings Plans Initiative.** The FY 2018 Budget continues the Governor's efforts to relieve the property tax burden by proposing a new initiative for voter-approved county-wide shared services plans. Counties will be required to work with the other local governments contained within their county, as well as with the community, labor, and civic leaders, to develop these plans. The plans must generate real, recurring savings for taxpayers. Possible actions include sharing services such as joint purchasing, highway equipment, storage facilities, and plowing services. They can also establish energy and insurance purchasing cooperatives, reduce back office administrative overhead, eliminate duplicative services, and improve service coordination. They would be presented to voters for approval in the next general election, and would be implemented after a majority vote for approval. If a plan were not approved by the voters, it would be revised and resubmitted by the county for another vote in November 2018.

- **Interest Rate on Court Judgements.** The Budget changes the interest rate paid by the State and local governments on court judgements or accrued claims from the current fixed nine percent rate to a market rate. Eliminating the fixed rate would likely generate savings for local governments and would remove a potential incentive for plaintiffs to delay proceedings.
- **Design-Build.** The Budget expands the authorization for design-build procurement to include counties outside of New York City. Providing this powerful procurement tool to counties could streamline construction timelines and reduce costs.
- **Continue Restructuring Programs.** The Budget continues funding to support the Municipal Consolidation and Efficiency Competition, the Municipal Restructuring Fund, the Local Government Performance and Efficiency Program, Citizen Empowerment Tax Credits, Citizens Reorganization Empowerment Grants, and Local Government Efficiency Grants. A portion of these programs will be funded through the Special Infrastructure Account, as authorized in the FY 2016 Budget.
- **Maintain Local Government Aid.** The Budget maintains most local government aid programs at FY 2017 levels, including \$715 million in unrestricted AIM funding to cities, towns, and villages and \$217,300 in Small Government Assistance. VLT Impact Aid is reduced from \$29.3 million to \$28.6 million to reflect a modest reduction along with changes in aid following the conversion of Tioga Downs to a destination resort casino. FY 2017 Legislative adds through Miscellaneous Financial Assistance and Village Per Capita Aid are discontinued.
- **New Local Government Assistance.** The Executive Budget redistributes existing local gaming aid payments in order to provide \$2.25 million annually to Madison County to reflect the opening of an Oneida Nation casino.

Overall Fiscal Impact on Local Governments

The Executive Budget results in a year-to-year net positive local impact of nearly \$1.0 billion for municipalities and school districts for their fiscal years ending in 2018. This net local benefit is primarily the result of a statewide school aid increase of \$961 million, including new competitive grants and the Fiscal Stabilization Fund. The benefit is offset by modest proposals to rebalance cost shares for certain programs.

The FY 2018 Budget provides local governments with nearly \$40.8 billion in State support through major local aid programs and savings initiatives.

Table 12: Impact of the FY 2018 Executive Budget on Local Governments
(Local Fiscal Year Ending in 2018, Includes Major Local Aid Programs, in Millions)

	Total	NYC	School Districts (non-NYC)	Counties	All Other
School Aid - Total SFY 2018 Exec Budget Impact on LFY 2018	761.0	294.9	466.1	0.0	0.0
School Aid - Total SFY 2018 Major Local Aid Programs	25,260.7	10,141.0	15,119.7	0.0	0.0
Other Education - Total SFY 2018 Major Local Aid Programs	344.5	TBD	TBD	0.0	0.0
Special Education - Total SFY 2018 Major Local Aid Programs	1,335.0	705.0	237.0	393.0	0.0
STAR - Total SFY 2018 Major Local Aid Program	3,435.0	851.0	2,584.0	0.0	0.0
Medicaid - Total SFY 2018 Exec Budget Impact on LFY 2018	(4.0)	0.0	0.0	(4.0)	0.0
Medicaid - Total SFY 2018 Major Local Aid Programs/Savings	3,227.0	1,643.0	0.0	1,584.0	0.0
Human Services - Total SFY 2018 Exec Budget Impact on LFY 2018	(81.4)	(62.3)	0.0	(19.1)	0.0
Human Services - Total SFY 2018 Major Local Aid Programs	4,380.0	2,787.0	0.0	1,593.0	0.0
Health - Total SFY 2018 Exec Budget Impact on LFY 2018	(3.3)	(8.2)	0.0	4.9	0.0
Health - Total SFY 2018 Major Local Aid Programs	465.0	257.0	0.0	208.0	0.0
Mental Hygiene - Total SFY 2018 Major Local Aid Programs	70.1	34.9	3.0	32.2	0.0
Transportation - Total SFY 2018 Major Local Aid Programs	810.0	227.0	0.0	334.0	249.0
Municipal Aid - Total SFY 2018 Exec Budget Impact on LFY 2018	2.0	0.0	0.0	2.2	(0.2)
Municipal Aid - Total SFY 2018 Major Local Aid Programs	743.6	0.0	0.0	2.4	741.3
Public Protection - Total SFY 2018 Exec Budget Impact on LFY 2018	(3.4)	0.0	0.0	(3.4)	0.0
Public Protection - Total SFY 2018 Major Local Aid Programs	176.0	54.0	0.0	122.0	0.0
Environment - Total SFY 2018 Major Local Aid Programs	175.0	0.0	0.0	TBD	TBD
All Other - Total SFY 2018 Exec Budget Impact on LFY 2018	(2.6)	(0.6)	0.0	(2.0)	0.0
All Other - Total SFY 2018 Major Local Aid Programs	412.0	187.0	147.0	30.0	48.0
Revenue Actions - Total SFY 2018 Exec Budget Impact on LFY 2018	128.2	55.2	1.5	61.3	10.2
Total SFY 2018 Exec Budget Impact on LFY 2018	796.5	279.0	467.6	39.9	10.0
School Fiscal Stabilization Fund	150.0	TBD	TBD	0.0	0.0
New Competitive School Grants	50.0	TBD	TBD	0.0	0.0
Grand Total SFY 2018 Exec Budget Impact on LFY 2018	996.5	279.0	467.6	39.9	10.0
Grand Total SFY 2018 Major Local Aid Programs/Savings	40,833.9	16,886.9	18,090.7	4,298.6	1,038.3