



Division of the Budget

LOCAL GOVERNMENT

New York State's County-Wide Shared Services Initiative resulted in 389 proposals totaling **\$208 million in projected savings** in 2018. The Budget includes matching funds for the first-year savings.



MANDATE RELIEF

New York has eliminated growth in the local share of Medicaid, saving counties **\$3.3 BILLION** in 2019.



Tier VI pension reform has already saved **\$631 million** for local governments (not including New York City) and school districts. This is saving State and local governments nearly **\$80 billion** over 30 years.

CONTROLLING PROPERTY TAX GROWTH



Under the Property Tax Cap, the typical taxpayer saved more than **\$2,100** in just the first five years.

In 2018, the Property Tax Credit program reduces local property taxes by \$380 on average for **2.6 million homeowners.**



Budget Highlights

County-Wide Shared Services Initiative. The Budget includes \$225 million to fund the State's match of savings from shared services actions included in property tax savings plans. The Budget also makes the county-wide shared services panels permanent and addresses various State obstacles to shared services.

Aid and Incentives for Municipalities. Maintains core local government assistance through the AIM program at \$715 million in FY 2019.

Local Impact. Executive Budget actions will provide a net positive impact of \$961.6 million for all local governments on a local fiscal year basis in 2019. Local governments will receive a total of more than \$40.9 billion in State support through major local aid programs and savings.

Continued Mandate Relief for 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 \$3.3 billion in FY 2019.

The FY 2019 Executive Budget continues Governor Cuomo's commitment to reducing property taxes, improving local government efficiency, and assisting distressed local governments while maintaining core local government assistance. The Budget includes \$225 million to match local savings associated with the County-Wide Shared Services Initiative, and supports additional property tax relief by making shared services panels permanent.

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 two 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.

For generations, New Yorkers have faced high property taxes. Governor Cuomo has taken unprecedented steps to fight this burden by capping property taxes, investing in shared services and efficiencies, restructuring distressed local governments, and relieving mandates. The progress made is threatened by Federal tax reforms that limit the ability for taxpayers to deduct local and State taxes from Federal income tax liability. These changes effectively increase property taxes for many New Yorkers and harm the competitiveness and economic viability of local governments and the State.

The Executive Budget continues to encourage 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, the Municipal Consolidation and Efficiency Competition, and the County-Wide Shared Services Initiative.

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.

Continuing to Address 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, investing in shared services and efficiencies, restructuring distressed local governments, and relieving mandates.

State 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 provided 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 encouraged local shared services, cooperation agreements, mergers, and efficiencies.

Performance Profile

Encouraging Local Shared Services. The first shared services plans developed under New York State’s County-Wide Shared Services Initiative law include 389 proposals totaling \$208 million in projected savings in 2018.

Controlling Property Tax Growth. Under the Property Tax Cap, the typical taxpayer saved more than \$2,100 in just the first five years. Combined with the Property Tax Freeze, local taxpayers have saved more than \$17 billion.

Providing Further Relief with the Property Tax Credit. 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.

Encouraging Consolidation and Tax Relief. To date, \$9.7 million has been delivered through the Citizen Empowerment Tax Credit program to 19 local governments across New York where voters approved a village dissolution within their boundaries.

As a result of the tax cap and the tax freeze program, local taxpayers have saved more than \$17 billion. To ensure that these savings continue, 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.

Lowering Local Property Taxes by Investing in Local Government Shared Services and Efficiencies

One of the drivers behind New York’s high local government cost and property tax burden is the duplicative and overlapping local government structure. As part of the FY 2018 Budget, Governor Cuomo advanced and secured approval of the County-Wide Shared Services Initiative, which requires local governments in each county to meet to discuss and pursue opportunities for shared services that will permanently reduce the local property tax burden. The initiative requires the chief executive officer of each county to create a shared services panel composed of representatives from all the cities, towns, and villages in each county, as well as schools and special districts as optional members. The panels were tasked with creating property tax savings plans that consist of new shared services actions.

For plans finalized and submitted in 2017, the State will match net savings achieved in calendar year 2018, and for plans finalized and submitted in 2018, the State will match net savings achieved in calendar year 2019. In 2017, the State received 34 shared services plans that certified a combined total of \$208 million in projected savings.

The FY 2019 Executive Budget continues the successful County-Wide Shared Services Initiative by making the panels permanent and by authorizing \$225 million to match the first year of savings from plans submitted in 2017. In addition, the State will align funding for local government efficiency and shared services programs to ensure that they are consistent with the initiatives advanced by the shared services panels. This support will continue to empower local governments to implement actions that reduce the property tax burden on their taxpayers.

The Budget maintains support for a variety of local government restructuring and efficiency grants, including the following:

- **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.

- **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.
- **Municipal Consolidation and Efficiency Competition.** A consortium of local governments will receive up to \$20 million to implement a series of projects designed to modernize municipal services and reduce local property taxes. The competition was designed to empower counties and other local governments to pursue opportunities for consolidation, shared services, and other changes that will permanently reduce the property tax burden and change the structure of local government.
- **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.
- **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. The Budget includes a modification to the program to close an eligibility loophole and prevent disproportionate payments.

Addressing Obstacles to Local Government Shared Services

After the successful first year of the County-Wide Shared Services Initiative, Governor Cuomo listened to local governments that identified barriers to shared services and directed State agencies to work with local governments to examine the legal and policy impediments. The FY 2019 Executive Budget advances reforms to address administrative and statutory obstacles to shared services.

- **Health Insurance Consortia.** The Department of Financial Services will publish guidance and provide technical assistance to local governments to ease the process of pooling health insurance among municipalities. Local health insurance costs have increased significantly across the State and employee benefits now account for more than 20 percent of local government spending. By leveraging the purchasing power of many governments, costs can be lowered, which would save local tax dollars without affecting employee health insurance plans.
- **Consolidate Zoning Functions.** In some places, local governments may wish to consolidate zoning to help reduce costs and simplify the process. The Budget advances legislation to authorize counties to provide these zoning functions at the request of a city, town, or village.

- **Share Justice Courts.** State laws currently exist to allow local governments to consolidate and share local courts or justices, but the process can be unnecessarily lengthy and complicated. The Budget would streamline the process for two or more adjacent towns to share one or more town justices.

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 10-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 17 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 \$3.3 billion in FY 2019. 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 30 years. Tier VI pension reform has already lowered taxpayer pension costs through FY 2019 by \$1 billion (\$386 million for the State and \$631 million for local governments, excluding New York City).

- 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 is helping 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 2018 (millions)	FY2019 (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*	3.7	5.7	2.0	54
Local Government Efficiency Grants*	4.2	5.1	0.9	21
Local Government Performance and Efficiency Program*	4.7	10.0	5.3	113
VLT Impact Aid	28.9	28.9	0	0
Miscellaneous Financial Assistance	7.5	2.3	(5.2)	(69)
Village Per Capita Aid	1.8	0.0	(1.8)	(100)
Small Government Assistance	0.2	0.2	0	0

* For FY 2018, some Citizens Re-Organization Empowerment 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 2019 will also be funded in this manner.

Proposed FY 2019 Budget Actions

- County-Wide Shared Services Initiative Match.** The Budget continues the Governor’s efforts to relieve the property tax burden by providing a \$225 million appropriation to match savings from county-wide shared services plans.
- Permanent County-Wide Shared Services Panels.** The Budget continues the successful County-Wide Shared Services Initiative by making the panels permanent and providing optional participation for fire districts and fire protection districts, in addition to school districts, boards of cooperative educational services, and special improvement districts. Further, the Secretary of State will be authorized to consult with the shared services panels for guidance and recommendations concerning shared services initiative.
- Eliminating Obstacles to Local Shared Services.** The Budget addresses obstacles to shared services. This includes providing technical assistance and guidance on the formation of health insurance consortiums, advancing legislation to authorize counties to provide zoning at the request of a local government, and easing the process for justice courts to share justices.

- **Discontinue the Energy Services Sales Tax Exemption.** The Executive Budget eliminates the sales tax exemption on the non-residential transmission and distribution of gas or electricity when purchased from an Energy Service Company (ESCO). Enacted in the early 2000s to incentivize consumer choice, this exemption is no longer necessary now that ESCOs are established entities (New York City eliminated this tax exemption in 2009). This will have a positive tax revenue impact for local governments.
- **Impose an Internet Fairness Conformity Tax.** The Executive Budget requires marketplace providers to collect sales tax when they facilitate a third-party sale to residents, whether the seller is located within, or outside of, New York. Online providers such as Amazon and eBay supply a marketplace for sellers from outside of the online provider to sell their products to consumers. This will have a positive tax revenue impact for local governments.
- **Interest Rate on Court Judgments.** The Budget changes the interest rate paid by the State and local governments on court judgments or accrued claims from the current fixed nine percent rate to a market rate. Eliminating the fixed rate will generate savings for local governments and encourage timely court proceedings.
- **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.
- **Maintain Local Government Aid.** The Budget maintains all local government aid programs at FY 2018 levels, including \$715 million in unrestricted AIM funding to cities, towns, and villages; \$28.9 million in Aid to Municipalities with Video Lottery Gaming Facilities; and \$217,300 in Small Government Assistance. FY 2018 Legislative adds through Miscellaneous Financial Assistance and Village Per Capita Aid are discontinued.

Overall Fiscal Impact on Local Governments

The Executive Budget results in a year-to-year net positive local impact of \$961.6 million for municipalities and school districts for their fiscal years ending in 2019. This net local benefit is primarily the result of a statewide school aid increase of \$768.8 million, including new competitive grants and a fiscal stabilization fund. The benefit is offset by reductions due to reforming summer school special education reimbursement and various human services proposals.

The FY 2019 Budget provides local governments with over \$40.9 billion in State support through major local aid programs and savings initiatives.

Table 12: Impact of the FY 2019 Executive Budget on Local Governments
(Local Fiscal Year Ending in 2019, Includes Major Local Aid Programs, in Millions)

	Total	NYC	School Districts (non-NYC)	Counties	All Other
School Aid - Total SFY 2019 Exec Budget Impact on LFY 2019	654.8	247.7	407.1	0.0	0.0
School Aid - Total SFY 2019 Major Local Aid Programs	26,047.7	10,512.9	15,534.8	0.0	0.0
Other Education - Total SFY 2019 Major Local Aid Programs	308.5	TBD	TBD	0.0	0.0
Special Education - Total SFY 2019 Exec Budget Impact on LFY 2019	(70.0)	(40.0)	(30.0)	0.0	0.0
Special Education - Total SFY 2019 Major Local Aid Programs	1,262.9	660.9	213.7	388.3	0.0
STAR - Total SFY 2018 Major Local Aid Program	2,409.9	188.0	2,221.9	0.0	0.0
Medicaid - Total SFY 2019 Exec Budget Impact on LFY 2019	(4.0)	0.0	0.0	(4.0)	0.0
Medicaid - Total SFY 2019 Major Local Aid Programs/Savings	3,336.6	1,469.8	0.0	1,866.7	0.0
Human Services - Total SFY 2019 Exec Budget Impact on LFY 2019	(41.0)	(43.6)	0.0	2.6	0.0
Human Services - Total SFY 2019 Major Local Aid Programs	4,454.5	2,931.0	0.0	1,523.5	0.0
Health - Total SFY 2019 Exec Budget Impact on LFY 2019	12.0	6.5	0.0	5.5	0.0
Health - Total SFY 2019 Major Local Aid Programs	431.9	226.7	0.0	205.2	0.0
Mental Hygiene - Total SFY 2019 Exec Budget Impact on LFY 2019	0.4	0.0	0.0	0.4	0.0
Mental Hygiene - Total SFY 2019 Major Local Aid Programs	73.4	36.5	3.0	33.9	0.0
Transportation - Total SFY 2019 Exec Budget Impact on LFY 2019	8.1	3.6	0.0	4.5	0.0
Transportation - Total SFY 2019 Major Local Aid Programs	817.8	230.2	0.0	338.6	249.0
Municipal Aid - Total SFY 2019 Major Local Aid Programs	744.3	0.0	0.0	2.7	741.7
Public Protection - Total SFY 2019 Exec Budget Impact on LFY 2019	(0.8)	0.0	0.0	(0.8)	0.0
Public Protection - Total SFY 2019 Major Local Aid Programs	252.1	16.0	0.0	108.4	0.0
Environment - Total SFY 2019 Major Local Aid Programs	360.0	TBD	0.0	TBD	TBD
All Other - Total SFY 2019 Exec Budget Impact on LFY 2019	(6.4)	0.0	0.0	(6.4)	0.0
All Other - Total SFY 2019 Major Local Aid Programs	446.0	220.0	146.0	80.0	0.0
Revenue Actions - Total SFY 2019 Exec Budget Impact on LFY 2019	192.0	59.5	3.4	111.1	18.0
Total SFY 2019 Exec Budget Impact on LFY 2019	745.1	233.7	380.5	112.9	18.0
- Match County-Wide Shared Services Initiative Savings	100.0	0.0	TBD	TBD	TBD
- Fiscal Stabilization Fund	64.0	TBD	TBD	0.0	0.0
- New Competitive School Grants	50.0	TBD	TBD	0.0	0.0
- Offset §480-a Property Tax Impacts	2.5	0.0	TBD	TBD	TBD
Grand Total SFY 2019 Exec Budget Impact on LFY 2019	961.6	233.7	380.5	112.9	18.0
Grand Total SFY 2019 Major Local Aid Programs/Savings	40,945.6	16,492.0	18,119.4	4,547.3	990.7

