



Division of the Budget

## LOCAL GOVERNMENT



NY eliminated growth in local share of Medicaid.

**Counties will save \$3.7 billion** in 2020.



### PROPERTY TAX CREDIT

Local property taxes down about **\$530** for **2.6 million homeowners** in 2019.



County-Wide Shared Services Initiative resulted in 567 proposals equaling



**\$260.6 million**

in projected savings in 2018 and 2019. The Budget includes matching funds for the first-year savings.

Tier VI pension reform has already saved

**\$879 million**

for local governments (not including New York City) and school districts.

This is saving State and local governments more than **\$80 billion over 30 years.**



Under the Property Tax Cap, the typical taxpayer saved

**\$3,200**

in just the first six years.



## Budget Highlights

**Permanent Property Tax Cap.** The Budget advances a proposal to make the State's property tax cap permanent. Since enactment of the cap, property tax payers have saved \$3,200.

**County-Wide Shared Services Initiative.** The Budget includes a State match of savings from shared services actions included in property tax savings plans.

**Eliminates the Internet Sales Tax Advantage.** Local governments will benefit by \$390 million annually from eliminating the internet sales tax advantage.

**Local Impact.** Executive Budget actions will provide a net positive impact of \$1.2 billion for all local governments on a local fiscal year basis in 2020. Additionally, local governments will receive a total of nearly \$42.2 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 \$3.7 billion in FY 2020.

The FY 2020 Executive Budget continues Governor Cuomo's commitment and track record of reducing property taxes, improving local government efficiency, and assisting distressed local governments. The Budget makes the Governor's property tax cap permanent, matches local savings associated with the County-Wide Shared Services Initiative, eliminates the internet sales tax advantage, and extends binding arbitration for public safety unions.

## Overview

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 general purpose aid to cities, towns, and villages.

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

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 the Focus on the Property Tax Burden

For too long, New York residents have faced some of the highest property tax burdens in the nation. Since taking office, Governor Cuomo has fought 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 the State's property tax cap. Since enactment of the cap, property taxes have grown by an average of just 1.9 percent per year – less than half the average annual growth from 2000 to 2010. The FY 2020 Budget advances legislation to make the tax cap permanent, which will result in sustained savings for property taxpayers.

To provide further relief, in 2014 the Governor worked with the Legislature to enact the Property Tax Freeze. As a result of the tax cap and freeze program, local taxpayers have saved more than \$25 billion. The freeze program also encouraged local shared services, cooperation agreements, and mergers. Taxpayers continue to benefit from these efficiency measures.

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 tax year 2019, it will provide \$1.3 billion of property tax relief and an average credit of \$530.

### Reducing Property Taxes through Investing in Local Government Shared Services and Efficiencies

As a measure to curb the duplicative and overlapping local government structure, and thereby reduce the pressures on local property taxes, 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

### Performance Profile

**Encouraging Local Shared Services.** So far, 53 counties have identified a total of 567 projects with \$260.6 million in recurring local property tax savings through the County-Wide Shared Services Initiative.

**Controlling Property Tax Growth.** Under the Property Tax Cap, the typical taxpayer saved \$3,200 in just the first six years. Combined with the Property Tax Freeze, local taxpayers have saved more than \$25 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, \$14 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.

villages in each county, with schools and special districts as optional members. The panels are tasked with creating property tax savings plans that consist of new shared services actions.

In total, over the past two years, 53 counties – approximately 93 percent of counties subject to the Initiative – filed shared services plans with the State. These 53 counties contain 98.5 percent of the State's population outside of New York City and have identified a total of 567 projects with \$260.6 million in recurring local property tax savings.

The Budget also 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.
- **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.
- **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.

## 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, which the Executive Budget continues support. To receive the aid, the local government must agree to fulfill the terms

of the recommendations. To date, the Board has completed Comprehensive Reviews for 20 local governments and is currently undertaking Comprehensive Reviews for five additional municipalities.

## Relieving Local Government Mandates

Governor Cuomo 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 \$3.7 billion in FY 2020, alone. 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 2020 by \$879 million for local governments (not including NYC's savings) and \$534 million for the State.
- **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 2020 Budget extends these reforms for an additional five years, until 2024.

**Table 12: Summary of Spending**

Category	FY 2019 (millions)	FY 2020 (millions)	Change	
			Dollars (millions)	Percent
AIM	714.7	655.5	(59.2)	(8)
County-Wide Shared Services Initiative	0.0	40.0	40.0	-
Citizens Empowerment Tax Credits and Grants*	4.3	5.0	0.7	16
Local Government Efficiency Grants*	4.0	5.1	1.1	28
Local Government Performance and Efficiency Program*	6.3	14.3	5.3	233
VLT Impact Aid	28.9	28.9	0.0	0
Miscellaneous Financial Assistance	12.0	2.3	(9.7)	(81)
Small Government Assistance	0.2	0.2	0.0	0

\* Beginning in FY 2018, some Citizens Re-Organization Empowerment Grants, Local Government Efficiency Grants and the Local Government Performance and Efficiency Program were funded out of the Special Infrastructure Account instead of the General Fund. A portion of anticipated spending for these programs in FY 2020 will also be funded in this manner.

## Proposed FY 2020 Budget Actions

- Make the Property Tax Cap Permanent.** The Budget advances legislation to make the two percent Property Tax Cap permanent, which will result in sustained savings for property taxpayers. Under the Property Tax Cap, the typical taxpayer saved \$3,200 in just the first six years. Combined with the Property Tax Freeze, local taxpayers have saved more than \$25 billion.
- County-Wide Shared Services Initiative Match.** The Budget continues the Governor’s efforts to relieve the property tax burden by providing a State match of first-year savings from county-wide shared services plans. Counties that implemented shared services plans in 2018 are eligible to receive matching funds from the State in calendar year 2019.
- Binding Arbitration Extension.** The Budget extends binding arbitration for public safety unions for an additional five years, until 2024. Reforms enacted in 2013, which require arbitrators to consider the implications of the property tax cap and place more emphasis on a municipality’s ability to pay during the arbitration award process, have benefited municipalities in fiscal stress.
- Eliminate Internet Tax Advantage.** Currently, sales taxes are not being collected uniformly, which diminishes revenues for local governments. Online providers such as Amazon, eBay, and many others supply a marketplace for third-party retailers to sell their products to consumers. The Executive Budget will provide a consistent framework for collection of required sales taxes by marketplace providers, which will simplify sales tax enforcement and ease collection burdens for the retailers who sell through these platforms.

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 exceeds \$300,000 or 100 transactions will be reminded via notice by the Tax Department that they are required under the New York Tax Law to collect and remit sales tax.

These actions will produce needed revenue to support local governments. Additional sales taxes from marketplace transactions is expected to generate over \$280 million annually in additional revenue for local governments. The Wayfair decision, when combined with the shifting of tax collection responsibilities to the marketplaces that facilitate online sales is expected to generate over \$110 million annually in additional revenue for local governments, including New York City. Further details on this proposal can be found in the “Revenue Actions” section.

- **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.
- **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.
- **Adjust AIM Payments to Towns and Villages Based on Reliance.** The Budget proposes to eliminate AIM payments to towns and villages that have a low reliance on the funding. Towns and villages scheduled to receive payments that are less than two percent of their total local fiscal year 2017 expenditures, as reported to the State Comptroller, will be removed from the AIM program. For affected municipalities, AIM is not a significant source of revenue – the typical impact is just 0.65 percent of expenditures.

The affected municipalities have nearly \$1.6 billion in reserves, more than 26 times the loss in revenue. They would also continue to be eligible for additional State programs and incentives, including the County-Wide Shared Services Initiative, Local Government Efficiency Grants, and the Citizen Empowerment Tax Credit.

\$655.5 million in AIM to all other cities, towns, and villages would be continued at the same level as last year.

## Overall Fiscal Impact on Local Governments

The Executive Budget results in a year-to-year net positive local impact of \$1.2 billion for municipalities and school districts for their fiscal years ending in 2020. This net local benefit is primarily the result of a statewide school aid increase of \$956.3 million, including new competitive grants and a fiscal stabilization fund.

The FY 2020 Budget provides local governments with nearly \$42.2 billion in State support through major local aid programs and savings initiatives.



## Table 13: Impact of the FY 2020 Executive Budget on Local Governments

(Local Fiscal Year Ending in 2020, Includes Major Local Aid Programs, in Millions)	Total	NYC	School Districts	Counties	Other Cities	Towns & Villages
School Aid - Total SFY 2020 Executive Budget Impact on LFY 2020	749.3	282.6	466.7	0.0	0.0	0.0
School Aid - Total SFY 2020 Major Local Aid Programs	27,299.0	11,204.1	16,094.9	0.0	0.0	0.0
Other Education - Total SFY 2020 Executive Budget Impact on LFY 2020	0.0	0.0	0.0	0.0	0.0	0.0
Other Education - Total SFY 2020 Major Local Aid Programs	390.7	TBD	TBD	0.0	0.0	0.0
Special Education - Total SFY 2020 Executive Budget Impact on LFY 2020	0.0	0.0	0.0	0.0	0.0	0.0
Special Education - Total SFY 2020 Major Local Aid Programs	1,341.5	686.6	246.5	408.4	0.0	0.0
STAR - Total SFY 2020 Major Local Aid Programs	2,186.0	166.4	2,019.6	0.0	0.0	0.0
Medicaid - Total SFY 2020 Executive Budget Impact on LFY 2020	(4.0)	0.0	0.0	(4.0)	0.0	0.0
Medicaid - Total SFY 2020 Major Local Aid Programs	3,676.6	1,682.1	0.0	1,994.5	0.0	0.0
Human Services - Total SFY 2020 Executive Budget Impact on LFY 2020	(75.3)	(75.3)	0.0	0.0	0.0	0.0
Human Services - Total SFY 2020 Major Local Aid Programs	4,288.2	2,719.6	0.0	1,568.6	0.0	0.0
Health - Total SFY 2020 Executive Budget Impact on LFY 2020	(9.6)	(22.4)	0.0	12.8	0.0	0.0
Health - Total SFY 2020 Major Local Aid Programs	464.1	268.9	0.0	195.2	0.0	0.0
Mental Hygiene - Total SFY 2020 Executive Budget Impact on LFY 2020	0.3	0.0	0.0	0.3	0.0	0.0
Mental Hygiene - Total SFY 2020 Major Local Aid Programs	74.5	37.0	3.0	34.5	0.0	0.0
Transportation - Total SFY 2020 Executive Budget Impact on LFY 2020	23.7	10.3	0.0	12.9	0.0	0.5
Transportation - Total SFY 2020 Major Local Aid Programs	841.6	240.1	0.0	351.8	50.1	199.6
Municipal Aid - Total SFY 2020 Executive Budget Impact on LFY 2020	(59.2)	0.0	0.0	0.0	0.0	(59.2)
Municipal Aid - Total SFY 2020 Major Local Aid Programs	684.5	0.0	0.0	2.7	669.4	12.4
Public Protection - Total SFY 2020 Executive Budget Impact on LFY 2020	0.0	0.0	0.0	0.0	0.0	0.0
Public Protection - Total SFY 2020 Major Local Aid Programs	318.9	76.6	0.0	242.3	0.0	0.0
Environment - Total SFY 2020 Executive Budget Impact on LFY 2020	0.0	0.0	0.0	0.0	0.0	0.0
Environment - Total SFY 2020 Major Local Aid Programs	209.0	0.0	0.0	0.0	0.0	0.0
Economic Development - Total SFY 2020 Executive Budget Impact on LFY 2020	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development - Total SFY 2020 Major Local Aid Programs	0.0	0.0	0.0	0.0	0.0	0.0
All Other - Total SFY 2020 Executive Budget Impact on LFY 2020	0.2	0.1	0.0	0.1	0.0	0.0
All Other - Total SFY 2020 Major Local Aid Programs	420.0	188.0	150.0	82.0	0.0	0.0
Revenue Actions						
Revenues - Total SFY 2020 Executive Budget Impact on LFY 2020	448.3	181.6	7.5	213.0	23.7	22.4
<b>Total SFY 2020 Executive Budget Impact on LFY 2020</b>	<b>1,073.7</b>	<b>376.9</b>	<b>474.2</b>	<b>235.1</b>	<b>23.7</b>	<b>(36.3)</b>
- Fiscal Stabilization Fund for Schools	157.0	TBD	TBD	0.0	0.0	0.0
- New Competitive School Grants	50.0	TBD	TBD	0.0	0.0	0.0
<b>Grand Total SFY 2020 Executive Budget Impact on LFY 2020</b>	<b>1,280.7</b>	<b>376.9</b>	<b>474.2</b>	<b>235.1</b>	<b>23.7</b>	<b>(36.3)</b>
<b>Grand Total SFY 2020 Major Local Aid Programs/Savings</b>	<b>42,194.6</b>	<b>17,269.4</b>	<b>18,514.0</b>	<b>4,880.0</b>	<b>719.5</b>	<b>212.0</b>