



Division of
the Budget

LOCAL GOVERNMENT



The budget will provide local governments with a total of **\$44 billion in State support** through programs and savings, an increase of **more than \$1 billion** over prior year.

MEDICAID RELIEF



In FY 2021 alone, the State's takeover of local **Medicaid cost-increases** will save counties across the State **\$2.3 billion** and New York City **\$2.2 billion**. Since FY 2013, the takeover has saved localities **\$20 billion**.

Over the first **8** years of the property tax cap, local taxpayers



CAPPING PROPERTY TAXES

have saved **\$45.6 billion** and the typical taxpayer saved **\$6,100**.

REDUCING THE LOCAL PROPERTY TAX BURDEN

The Governor has worked to reduce local taxes by **investing in shared services**, helping distressed local governments, and **capping property tax growth**.



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The FY 2021 Executive Budget reflects Governor Cuomo's track record and continued commitment to reducing property taxes, improving local government efficiency, and assisting distressed local governments. The Budget matches local savings associated with the County-Wide Shared Services Initiative and authorizes new opportunities for local governments to work together towards lowering taxes.

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 and AIM-related payments provide 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 Small Government Assistance, Miscellaneous Financial Assistance and support for Yonkers schools through Aid to Municipalities with Video Lottery Gaming Facilities.

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 1.8 percent per year – less than half the average annual growth from 2000 to 2010. Taxpayers have already saved \$45.6 billion as a result of the cap, and the FY 2020 Enacted Budget made the tax cap permanent.

The Governor's commitment to property tax relief was reinforced through the Property Tax Freeze, enacted in 2014, which also encouraged local shared services, cooperation agreements, and mergers. Taxpayers continue to benefit from these local efficiency measures, today.

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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 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, 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 recurring local property tax savings. To further incentivize participation, the State enacted a dollar-for-dollar match of all taxpayer savings generated through the implementation of new, locally-identified shared services projects.

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

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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 25 local governments and is currently undertaking a Comprehensive Review for one additional municipality.

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.** In FY 2021 alone, the State's takeover of local Medicaid cost-increases will save counties across the State \$2.3 billion and New York City will save \$2.2 billion. Since FY 2013 when this administration began assuming a share of Medicaid growth, counties and New York City have saved more than \$20 billion, an amount local governments would have otherwise had to bear. As part of ongoing efforts to protect taxpayers across all levels of government, the Budget continues the State commitment to the takeover of local Medicaid growth, but requires efficiencies in the program and compliance with the property tax cap, or a demonstration of fiscal hardship.
- **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.

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- 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 extended these reforms for an additional four years, until 2023.
- Bail Reform.** By dramatically reforming New York's bail system beginning January 1, 2020, and thereby significantly reducing the number of people held in jail prior to their trial, local governments across the State are expected to save more than \$200 million in short- and long-term avoided costs. Short-term local savings will come from avoiding variable costs such as overtime staffing, food, and laundry. In the longer-term, local jails should be able to reduce staffing and potentially close housing units.
- Democracy Agenda.** By streamlining voting using e-poll books, counties will be able to reduce poll site staff. Early voting and the elimination of one primary election by combining Federal and State primary dates will also reduce the need for election day poll staffing. Through these actions, local boards of election will save an estimated \$25 million in 2020 alone.

Table 12: Summary of All Funds Spending

Category	FY 2020 (millions)	FY 2021 (millions)	Change	
			Dollars (millions)	Percent
Aid and Incentives to Municipalities*	655.6	655.6	0.0	0.0
County-Wide Shared Services Initiative	19.0	35.0	16.0	84.2
Citizens Empowerment Tax Credits and Grants**	4.5	5.5	1.0	22.2
Local Government Efficiency Grants**	3.1	4.1	1.0	32.3
Local Government Performance and Efficiency Program**	8.3	11.0	2.7	32.5
VLT Impact Aid	28.9	19.6	(-9.3)	(32.2)
Miscellaneous Financial Assistance	12.0	3.8	(-8.2)	(-68.3)
Small Government Assistance	0.2	0.2	0.0	0.0

* An additional \$59.2 million is provided to towns and villages through AIM-related sales tax payments.

** 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 2021 will also be funded in this manner.

Proposed FY 2021 Budget Actions

- Continue 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 2019 are eligible to receive matching funds from the State in calendar year 2020.

Further, legislation submitted with the Budget will encourage realization of shared services initiatives by allowing projects included in previous local plans that are not yet implemented to be eligible for State matching funds when they are implemented. Local governments are also provided a more flexible timeline for implementation.

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- **Increase the Consolidated Local Street and Highway Improvement Program (CHIPS) Competitive-Bid Threshold.** The Budget would increase the CHIPS competitive-bid threshold from \$250,000 to \$750,000, allowing municipalities the option to perform any projects at or under the \$750,000 threshold with their own workforce rather than bidding out the contract competitively. Last adjusted in 2011, the increase in the threshold is intended to mitigate the inflationary impacts of materials, labor, equipment and other construction-related costs. This proposal would allow municipalities more flexibility and control in the way they complete local street, highway, and bridge projects.
- **Continue Local Government 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. The Budget also maintains unrestricted aid and AIM-related payments to cities, towns, and villages.
- **Authorize Shared County Jails.** Legislation submitted with the Budget provides local flexibility to share jails and/or jail services. Existing approvals and oversight for local jails would not change, but the requirement that each county maintain a jail would be removed. This change allows counties to pursue shared services and capture savings for taxpayers made possible by declining jail populations.
- **Eliminate Video Lottery Terminal (VLT) Aid.** This category of State aid was created to support assumed local service needs associated with hosting VLT facilities, but the revenue benefits of hosting a facility outweigh any associated costs. Further, not all municipalities that currently host VLT facilities receive aid through this program and the State does not provide additional "impact-type" aid for other types of facilities which may have similar local public service impacts as VLT facilities, including community colleges, SUNY campuses, and State office buildings. Accordingly, the Executive Budget eliminates VLT Aid outside of Yonkers, which is the only municipality receiving this aid to direct the funds to educational purposes.
- **Modify Financial Restructuring Board Approval Threshold.** In order to improve the ability to schedule Board meetings and take action, legislation submitted with the Budget provides the Financial Restructuring Board for Local Governments with the ability to act by an affirmative vote of a majority of the total number of members present at the meeting, instead of a majority of total members.

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- **Clarify Administration of AIM-Related Sales Tax Payments.** Legislation submitted with the Budget clarifies the administration of AIM-related sales tax payments for municipalities in counties with a control board (Erie and Nassau) to reflect the statutory intent of changes made in the FY 2020 Enacted Budget. There is no change to associated funding levels.

Overall Fiscal Impact on Local Governments

The impact of the FY 2021 Executive Budget on local governments can be measured in two ways. First, and most fundamentally, total assumed spending on behalf of local governments in FY 2021 can be compared to that of the prior fiscal year. This view reflects that State spending on behalf of local governments can go up or down because of budgetary changes, but also by increases in caseload or statutory automatic inflators.

Total spending on behalf of local governments through major local aid programs and savings initiatives is expected to total \$44.1 billion in FY 2021 under the Executive Budget. This represents an increase of more than \$1 billion over the prior year. This increase must be absorbed within the State's two percent spending cap and within the context of a \$6 billion budget gap.

The second way of measuring the impact of the FY 2021 Executive Budget on local governments is reflected on the traditional local impact table. In this view, increases in caseload or statutory automatic inflators are excluded, and only new changes proposed in this Executive Budget are considered.

Under this narrower criteria, actions taken in the Executive Budget result in a year-to-year net positive local impact of over \$600 million for municipalities and school districts for their fiscal years ending in 2021. This net local benefit is most directly the result of a statewide school aid increase of \$825.7 million, including new competitive grants and unallocated funds.

- **Support for County Governments.** Total State spending on behalf of counties outside of New York City through major local aid programs is expected to total nearly \$5.2 billion in FY 2021 under the Executive Budget. This includes \$2.3 billion attributable to the State takeover of local Medicaid growth. Total support for counties is approximately \$150 million higher than FY 2020.

The traditional local impact table excludes increases in caseload, statutory automatic inflators, and the incremental increase in county Medicaid growth that is paid for by the State. Under this narrower criteria, the Executive Budget has a negative year-to-year impact of \$23 million for counties outside New York City. The two most significant drivers are a proposal to require counties to pay the full costs of certain forensic examinations and requiring counties to direct a larger share of a Federal grant toward child welfare services.

Counties will be asked to certify tax cap compliance or show fiscal hardship for purposes of determining continued eligibility for the full State takeover of all local Medicaid spending growth. Under this program, taxpayers are ensured that State efforts to reduce costs for counties result in lower local tax bills and not increased local spending while also renewing the partnership between the State and counties in controlling Medicaid spending growth. Given counties' historical tax cap compliance, it is likely that the State will continue to absorb all county Medicaid growth.

- **Support for Other Cities, Towns and Villages.** The Executive Budget provides more than \$1 billion in support for towns, villages, and cities other than the City of New York. The most notable local impact for such local governments is the elimination of \$6.9 million in Video Lottery Terminal (VLT) Aid for municipalities outside the City of Yonkers.

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- **Support for School Districts.** In School Fiscal Year 2021, the Executive Budget provides school districts outside New York City a \$351.3 million school aid increase through formulas, and portions of the \$250 million in currently unallocated additional Foundation Aid and competitive grants. The year-to-year increase is partially offset for school districts outside of New York City by the elimination of the 18.4 percent State share for Committees on Special Education (CSE) placements, which results in a \$25 million negative impact in the 2021 school year.

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Table 13: FY 2021 Executive Budget Impact on Local Governments

	Total	NYC	School Districts	Counties	Other Cities	Towns & Villages
School Aid - Total SFY 2021 Executive Budget Impact on LFY 2021 *	825.7	321.3	504.4	0.0	0.0	0.0
School Aid - Total SFY 2021 Major Local Aid Programs	28,330.4	11,617.9	16,462.5	0.0	0.0	0.0
Other Education - Total SFY 2021 Executive Budget Impact on LFY 2021	0.0	0.0	0.0	0.0	0.0	0.0
Other Education - Total SFY 2021 Major Local Aid Programs	219.1	TBD	TBD	0.0	0.0	0.0
Special Education - Total SFY 2021 Executive Budget Impact on LFY 2021	0.0	0.0	0.0	0.0	0.0	0.0
Special Education - Total SFY 2021 Major Local Aid Programs	1,357.2	661.4	257.3	438.6	0.0	0.0
STAR - Total SFY 2021 Major Local Aid Programs	2,000.0	152.0	1,848.0	0.0	0.0	0.0
Medicaid - Total SFY 2021 Executive Budget Impact on LFY 2021	0.0	0.0	0.0	0.0	0.0	0.0
Medicaid - Total SFY 2021 Major Local Aid Programs	4,467.3	2,202.0	0.0	2,265.4	0.0	0.0
Human Services - Total SFY 2021 Executive Budget Impact on LFY 2021	(102.8)	(65.6)	(26.4)	(10.8)	0.0	0.0
Human Services - Total SFY 2021 Major Local Aid Programs	4,381.3	2,853.4	0.0	1,527.9	0.0	0.0
Health - Total SFY 2021 Executive Budget Impact on LFY 2021	55.3	54.4	0.0	0.9	0.0	0.0
Health - Total SFY 2021 Major Local Aid Programs	464.7	249.2	0.0	215.5	0.0	0.0
Mental Hygiene - Total SFY 2021 Executive Budget Impact on LFY 2021	(15.2)	(3.1)	0.0	(12.1)	0.0	0.0
Mental Hygiene - Total SFY 2021 Major Local Aid Programs	71.5	31.0	4.0	36.5	0.0	0.0
Transportation - Total SFY 2021 Executive Budget Impact on LFY 2021	0.0	0.0	0.0	0.0	0.0	0.0
Transportation - Total SFY 2021 Major Local Aid Programs	860.5	248.5	0.0	362.2	50.2	199.6
Municipal Aid - Total SFY 2021 Executive Budget Impact on LFY 2021	(7.8)	0.0	0.0	(0.9)	(2.8)	(4.1)
Municipal Aid - Total SFY 2021 Major Local Aid Programs	769.6	0.0	0.0	0.0	666.6	68.0
Public Protection - Total SFY 2021 Executive Budget Impact on LFY 2021	0.0	0.0	0.0	0.0	0.0	0.0
Public Protection - Total SFY 2021 Major Local Aid Programs	325.8	94.3	0.8	215.2	10.0	5.5
Environment - Total SFY 2021 Executive Budget Impact on LFY 2021	0.0	0.0	0.0	0.0	0.0	0.0
Environment - Total SFY 2021 Major Local Aid Programs	405.0	TBD	0.0	TBD	TBD	TBD
Economic Development - Total SFY 2021 Executive Budget Impact on LFY 2021	(0.2)	0.0	0.0	0.0	(0.2)	0.0
Economic Development - Total SFY 2021 Major Local Aid Programs	0.0	0.0	0.0	0.0	0.0	0.0
All Other - Total SFY 2021 Executive Budget Impact on LFY 2021	0.0	0.0	0.0	0.0	0.0	0.0
All Other - Total SFY 2021 Major Local Aid Programs	478.0	222.0	165.0	91.0	0.0	0.0
Revenue Actions						
Revenues - Total SFY 2021 Executive Budget Impact on LFY 2021	8.0	8.0	0.0	0.0	0.0	0.0
Total SFY 2021 Executive Budget Impact on LFY 2021	763.0	315.0	478.0	(22.9)	(3.0)	(4.1)
Local Medicaid Savings	(150.0)	TBD	0.0	TBD	0.0	0.0
Grand Total SFY 2021 Executive Budget Impact on LFY 2021	613.0	315.0	478.0	(22.9)	(3.0)	(4.1)
Grand Total SFY 2021 Major Local Aid Programs/Savings	44,130.4	18,428.6	18,890.7	5,152.1	726.8	273.1

* New York City vs. Rest of State breakout of the \$200 million new unallocated school reserve and \$50 million in new competitive school grants is preliminary and based on current distributions within the Executive School Aid Run.