



**CITY OF ALBANY
OFFICE OF THE MAYOR**
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KATHY SHEEHAN
MAYOR

February 4, 2024

Hon. Liz Krueger
Chair
New York State Senate Finance Committee
416 Capitol
Albany, NY 12247

Hon. Helene E. Weinstein
Chair
New York State Assembly Ways and Means Committee
LOB 923
Albany, NY 12248

Sent electronically via financechair@nysenate.gov and wamchair@nyassembly.gov

Dear Chairperson Krueger and Chairperson Weinstein,

Thank you for the opportunity to provide testimony about the City of Albany and Governor Hochul's 2024-25 Executive Budget to the New York State Senate Finance Committee and New York State Assembly Ways and Means Committee.

Attached is the testimony and an accompanying information packet. Thank you for your attention regarding the vital needs of New York's Capital City.

Sincerely,

Kathy M. Sheehan
Mayor, City of Albany

CC. Hon. Neil Breslin, Vice President Pro Tempore, New York State Senate
Hon. Patricia Fahy, Member, New York State Assembly
Hon. John McDonald, Member, New York State Assembly

Thank you to Chairpersons Krueger and Weinstein for the opportunity to discuss issues pertaining to the City of Albany.

I also want to thank the Senate Finance Committee, the Assembly Ways and Means Committee, and our Capital City delegation. Senate Vice President Pro Tempore Neil Breslin, Assemblymember Patricia Fahy, and Assemblymember John McDonald work closely with us on various issues and initiatives, but in particular our financial challenges. While I know Assemblymember McDonald no longer represents the City of Albany due to redistricting, I am thankful he continues to advocate for the Capital City's most vital needs.

I have joined you every year since 2014 to make the case that Albany is treated like no other city, and I am appreciative you have listened.

(SLIDE 2) I am thankful to the Senate and Assembly for supporting Capital City Funding for seven consecutive years. I am also thankful to Governor Hochul for including Capital City Funding in her proposed budget for the third consecutive year.

(SLIDE 3) I am often asked by members of the State Legislature about what Albany needs, and I join you today to make two simple requests: make our Capital City Funding and Empire State Plaza PILOT permanent, once and for all, and tie those payments to the tax cap each year. Slide 4 shows you how that model would work in practice and Slide 5 provides you with the draft amendment language necessary to make these changes a reality.

(SLIDE 6) I know that many of you are aware, but I think it bears repeating: the Empire State Plaza – the place we sit today – was once home to approximately 10,000 residents and hundreds of small businesses before being demolished by New York State after being acquired through eminent domain in 1962. Approximately one-quarter of the residents were people of color or first-generation immigrants.

Slides 7, 8, and 9 outline why we are asking you to help make this the last year I come here to share the fundamental injustices borne by our city.

(SLIDE 7) 64% of all property in the City of Albany is tax exempt, and New York State owns more property (\$7.3 billion) than the City of Albany's entire tax base. If even half of the property the State owned were taxable, Albany

would receive \$33 million in tax revenue – \$16 million more than the City currently receives from the State.

(SLIDE 8) The only city that comes anywhere close to our level of tax-exempt property is Syracuse – but they also receive PILOTS from Syracuse University and Destiny Mall.

(SLIDE 9) Remember: New York State law requires we receive \$17 million in PILOTS from the State – but that is about one-quarter of the payment we would receive if the property were taxable. It is also important to remember the Empire State Plaza PILOT, currently \$15 million, will be cut by 90 percent in 2031 and cease to exist in 2032.

(SLIDE 10) I have worked in good faith with this body and the Governor's Office to keep a promise I made in 2014: if the State rectifies this blatant unfairness, the City will do the rest. I said we will tighten our belt, become more efficient, and manage to the 2% tax cap and the inevitable cost increases associated with running a city – and we have done just that. We have held spending growth to 1.92% per year since I first became Mayor in 2014 – and this includes outsized expenditures during the pandemic, and \$14 million

of expenses in 2021 to settle long outstanding labor contracts for our dedicated civil servants.

(SLIDE 11) We have done that while keeping our headcount flat, breaking-even during an uncertainty-ridden 2019 through 2022 period, and completing a pay equity study to make our non-union salaries more competitive – something that is especially important when the State offers our talented workforce higher wages to come across the street. Robust sales tax growth and extraordinary federal aid buoyed the City during the post-post-COVID recovery, but sales tax is now returning to historically average growth rates, our cannabis sales tax collections have yet to materialize (\$7,049 in Q2 of 2023 and \$23,486 in Q3 of 2023), and ARPA Local Fiscal Recovery Funds will all be obligated by the end of 2024, as is statutorily required.

(SLIDE 12) While the American Rescue Plan Act funding has helped us, more than half of our allocation has been encumbered on one-time expenses. We settled our long-expired police union contract, we provided premium pay to our frontline heroes, we purchased a second set of turnout gear for our firefighters, and we provided \$25 million in grants to make transformative investments in our community.

(SLIDE 13) 75% of that \$25 million in ARPA funding has been awarded toward projects supporting affordable housing, affordable homeownership, community spaces, and direct services in Albany's historically underserved neighborhoods – including the South End, the neighborhood most negatively impacted by the building of the Plaza we sit in today. The other 25% of that funding is helping our small businesses and our hard-hit arts and tourism organizations.

(SLIDE 14) Regardless of population, density, or poverty rate, Albany receives less State Aid per capita than 30 other cities – and that's after receiving \$15 million in Capital City Funding.

Albany receives just 60% (or less) of what the other large cities outside of New York City receive on a per capita basis each year. It would take an additional \$23 million of aid to put Albany on parity with Rochester, \$27 million with Yonkers, \$28 million with Syracuse, and \$51 million with Buffalo.

(SLIDE 15) Usually a city's largest single source of State aid is derived from the AIM program. The concept of the

State sharing a portion of its income tax revenues with municipalities dates back to 1946. There have been many changes and iterations of the program over the past 78 years, but the general concept from 1946 until the Great Recession in 2008 was that as State income tax collections rose over time, the State would pass some portion of those increases through to the municipalities in the form of higher revenue sharing distributions. Then, in 2009, those increases stopped.

Since then, the State has seen a doubling of its personal and corporate income tax collections, while the municipalities have been left with smaller payments than they received in 2009.

Since the inception of the tax cap in 2012, it has become increasingly dire that the State resume increases in the AIM program. Municipalities do not have the tools they need without additional State support when limited by the tax cap to 2% property tax increases and long-run economically driven sales tax growth of 3%.

(SLIDE 16) You might think Albany should just raise taxes. And in wanting to be self-reliant within the confines of the property tax cap, we have. Property tax growth has

averaged approximately 1% annually during my tenure as Mayor. Due to factors both unique to Albany and outside of the City's control, Albany already has a higher local tax burden relative to its taxable property base. The other large cities in the State have local tax burdens approximating \$20 per thousand (or less), while Albany's is nearly \$32 per thousand. We cannot ask our taxpayers to shoulder any significantly higher level of local taxation – it's simply not fair.

(SLIDE 17) We need to keep police officers and firefighters on the streets, the garbage picked up, and our drinking water safe.

We need predictable, non-property tax revenue to maintain the level of services our residents, our businesses, and our visitors – including the thousands of State employees who travel into the City each day – have come to expect.

Help us do that by making Capital City Funding and the Empire State Plaza PILOT permanent.

Help us by rebasing these two payments consistent with the tax cap and tying them to this limited measure of inflation each year.

And help us by providing the certainty our City needs and our residents deserve.

Let's work together to end the fiscal inequity Albany faces each year, once and for all.

Thank you.



2024-25 Executive Budget Testimony

City of Albany

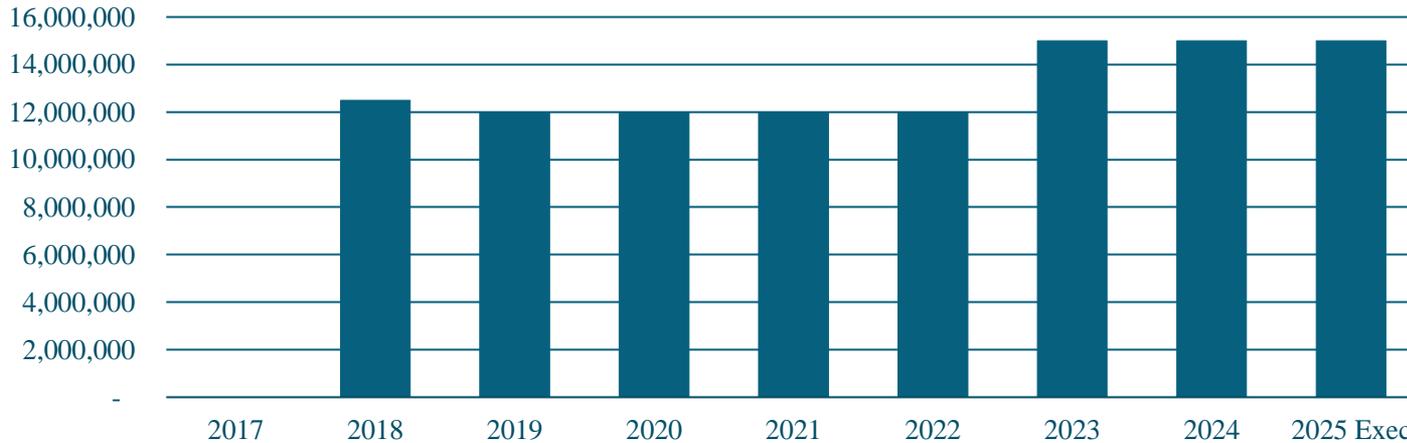
Mayor Kathy M. Sheehan
Tuesday, February 6, 2024

Thank You for Your Support

- Recognition that Albany is treated like no other city
- Appropriation of Capital City Funding for seven consecutive years



Capital City Funding



What Albany Needs

- Certain and increasing non-property tax revenue for the City to maintain fiscal stability to provide its residents, daily commuters, and other visitors the level of services they deserve into the future
- Make the Empire State Plaza PILOT and Capital City payment permanent
- Rebase these two payments and increase by the 'allowable levy growth factor' (tax cap) each year

State PILOT Payments

STATE PILOT PAYMENTS TO CITY OF ALBANY									
SFY	CFY	LEVY GROWTH	ESP PILOT (19-A)		CAPITAL CITY		TOTAL		VARIANCE
ENDING MAR	ENDING DEC	FACTOR	CURRENT	RE-BASED	CURRENT	RE-BASED	CURRENT	RE-BASED	
		SFY BASIS							
2012	2011		15,000,000				15,000,000		
2013	2012	1.0200	22,850,000	15,300,000			22,850,000		
2014	2013	1.0200	22,850,000	15,606,000			22,850,000		
2015	2014	1.0163	15,000,000	15,860,378			15,000,000		
2016	2015	1.0162	15,000,000	16,117,316			15,000,000		
2017	2016	1.0031	27,500,000	16,167,280			27,500,000		
2018	2017	1.0093	15,000,000	16,317,635	12,500,000		27,500,000		
2019	2018	1.0200	15,000,000	16,643,988	12,000,000	12,750,000	27,000,000	29,393,988	2,393,988
2020	2019	1.0185	15,000,000	16,951,902	12,000,000	12,985,875	27,000,000	29,937,777	2,937,777
2021	2020	1.0143	15,000,000	17,194,314	10,800,000	13,171,573	25,800,000	30,365,887	4,565,887
2022	2021	1.0200	15,000,000	17,538,200	13,200,000	13,435,004	28,200,000	30,973,205	2,773,205
2023	2022	1.0200	15,000,000	17,888,964	15,000,000	13,703,705	30,000,000	31,592,669	1,592,669
2024	2023	1.0200	15,000,000	18,246,744	15,000,000	13,977,779	30,000,000	32,224,522	2,224,522
									AVG 2,748,008
									CITY ASK
2025	2024	1.0200	15,000,000	18,611,678	15,000,000	14,257,334	30,000,000	32,869,013	35,617,021
2026	2025	1.0200	15,000,000	18,983,912	15,000,000	14,542,481	30,000,000	33,526,393	36,329,361
2027	2026	1.0200	15,000,000	19,363,590	15,000,000	14,833,331	30,000,000	34,196,921	37,055,948
2028	2027	1.0200	15,000,000	19,750,862	15,000,000	15,129,997	30,000,000	34,880,859	37,797,067
2029	2028	1.0200	15,000,000	20,145,879	15,000,000	15,432,597	30,000,000	35,578,476	38,553,009
2030	2029	1.0200	15,000,000	20,548,797	15,000,000	15,741,249	30,000,000	36,290,046	39,324,069
2031	2030	1.0200	15,000,000	20,959,773	15,000,000	16,056,074	30,000,000	37,015,847	40,110,550
2032	2031	1.0200	1,800,000	21,378,968	15,000,000	16,377,195	16,800,000	37,756,164	40,912,761

19-A Amendment Language



2-a. (1) Notwithstanding any provision of this section to the contrary, in addition to state aid otherwise payable pursuant to this section, there shall be payable to any city located in a county in which there has been constructed a state office building project in accordance with the provisions of chapter one hundred fifty-two of the laws of nineteen hundred sixty-four, as amended, and pursuant to an agreement entitled the "South Mall contract" dated May eleventh, nineteen hundred sixty-five, state aid in accordance with the following schedule:

State Fiscal Year	Amount
2000-2001	\$4,500,000
2001-2002	\$4,500,000
2002-2003	\$4,500,000

2023-2024	\$15,000,000
2024-2025	\$[15,000,000] 35,500,000
[2025-2026]	\$15,000,000
2026-2027	\$15,000,000
2027-2028	\$15,000,000
2028-2029	\$15,000,000
2029-2030	\$15,000,000
2030-2031	\$15,000,000
2031-2032	\$1,800,000]

For State Fiscal Years beginning on or after April 1, 2025, the amount shall equal the product of the prior State Fiscal Year amount and the allowable levy growth factor as defined in Section 3-c of General Municipal Law for the coming State Fiscal Year.

Before Empire State Plaza

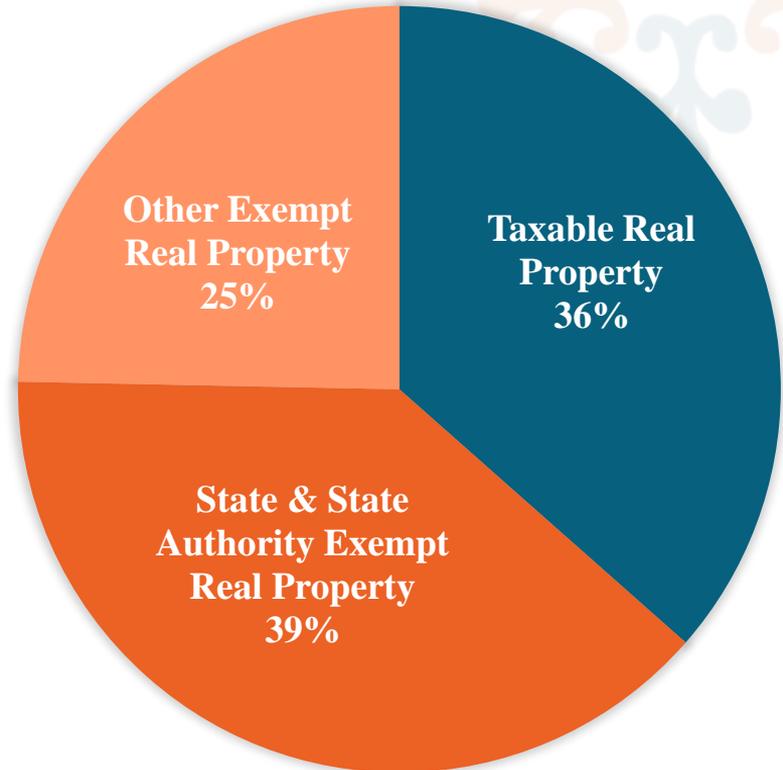


Acquired in March 1962 through eminent domain, the 98 acres of Albany that would become the Empire State Plaza was home to approximately 10,000 people and 400 businesses before being razed

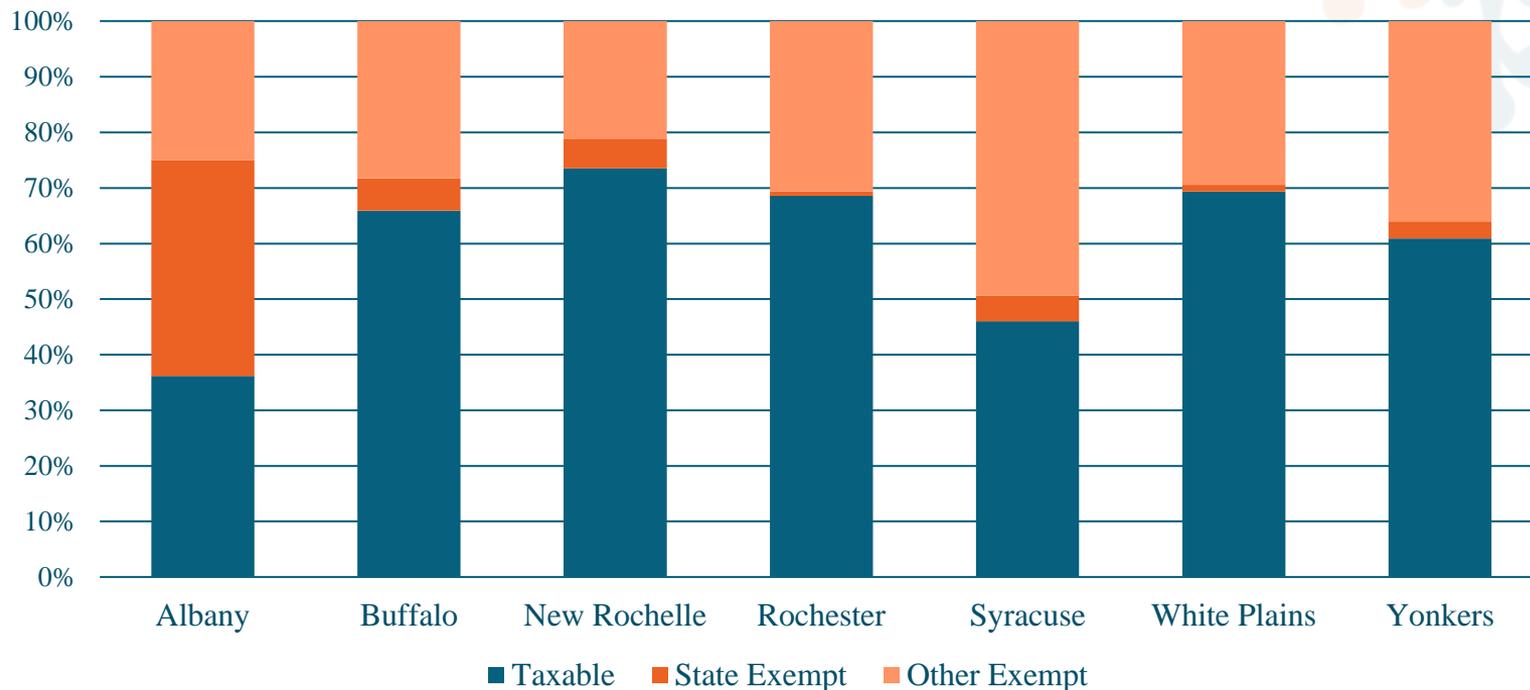
Approximately one-quarter of the residents were people of color or first-generation immigrants

Tax Exempt Property in the City of Albany

- 64% of all real property in the City is Tax Exempt
- The State and its Authorities own over \$7.3 billion of the City's real property
- The State and its Authorities own more than the entire taxable base of the City
- City receives only \$19 million in PILOTs for the \$12 billion of exempt property, with the State paying \$17 million of that figure
- Major healthcare and higher education facilities are paying zero

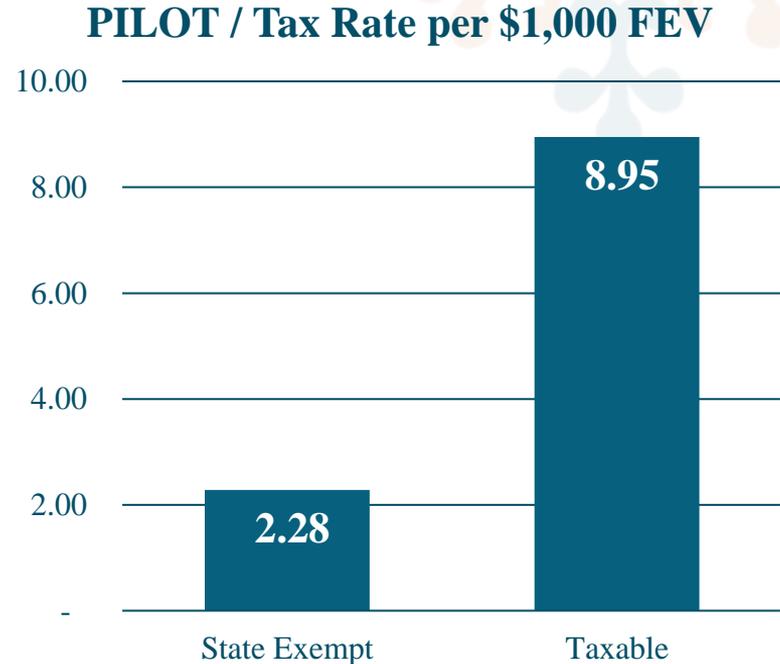


A Uniquely Albany Problem



A Uniquely Albany Problem

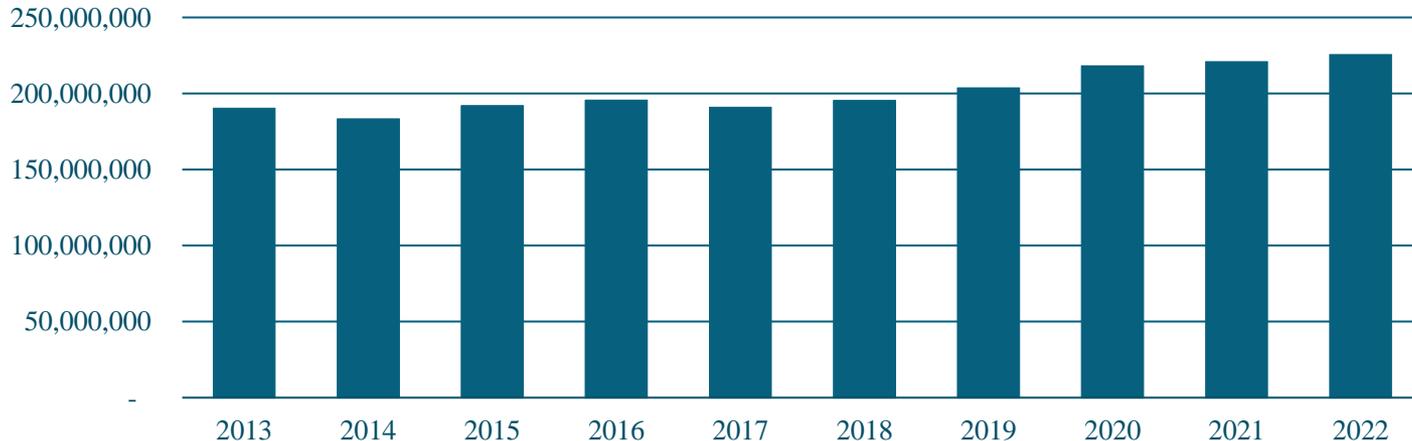
- The State provides Albany with \$17 million in annual PILOT payments for its \$7.3 billion of property
- This equates to \$2.28 per \$1,000 of value
- Would generate \$67 million if taxable
- Most of this amount is the statutorily required \$15M Empire State Plaza PILOT that has and is scheduled to remain flat for 14 years (SFYs 2018-31)



Fiscal Management

- Since I became Mayor, the City has averaged expenditure growth of just 1.92% annually
- Albany possesses, “strong financial management policies with well-embedded practices.”
 - (S&P Global, March 2022)

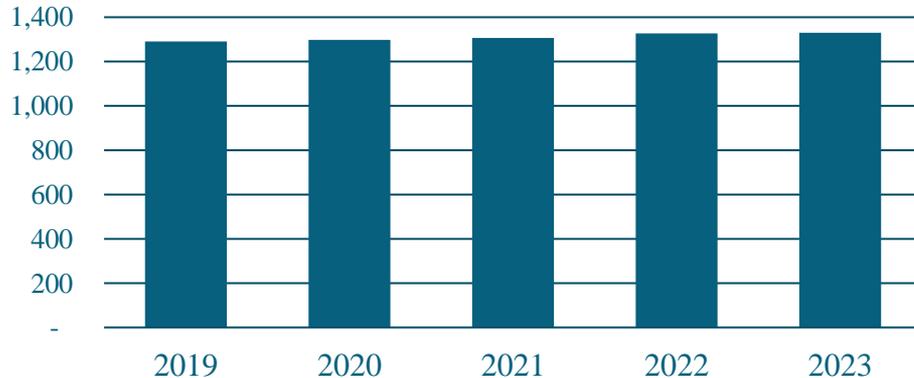
City of Albany Expenditures



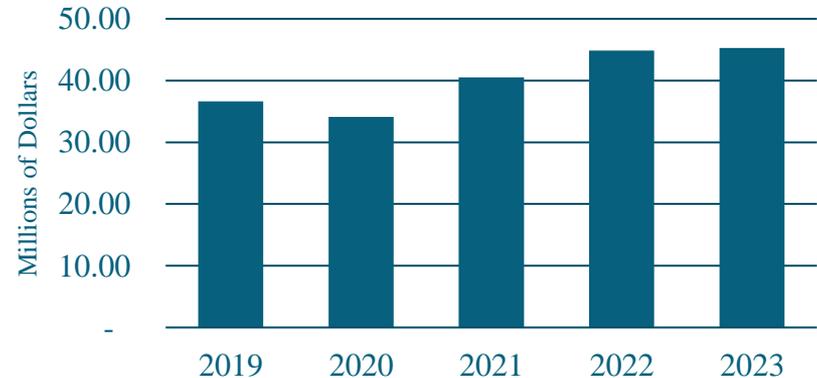
Fiscal Management

- 2019-2022 Operations were break-even
- Maintaining headcount at approximately 1,300
- Sales Tax growth returning to long-run levels after outsized post-COVID increases
- Continued financial stability in jeopardy without additional State support

Authorized Headcount



Sales & Use Tax Collections



American Rescue Plan Funding

\$80 million Allocated to the City

- \$29 million for COVID revenue losses
- \$25 million for Albany for All community programs
- \$14 million to Settle Collective Bargaining Agreements
- \$4 million for COVID Hazard Pay to Frontline Workers
- \$1 million for Fire Department PPE



American Rescue Plan Funding

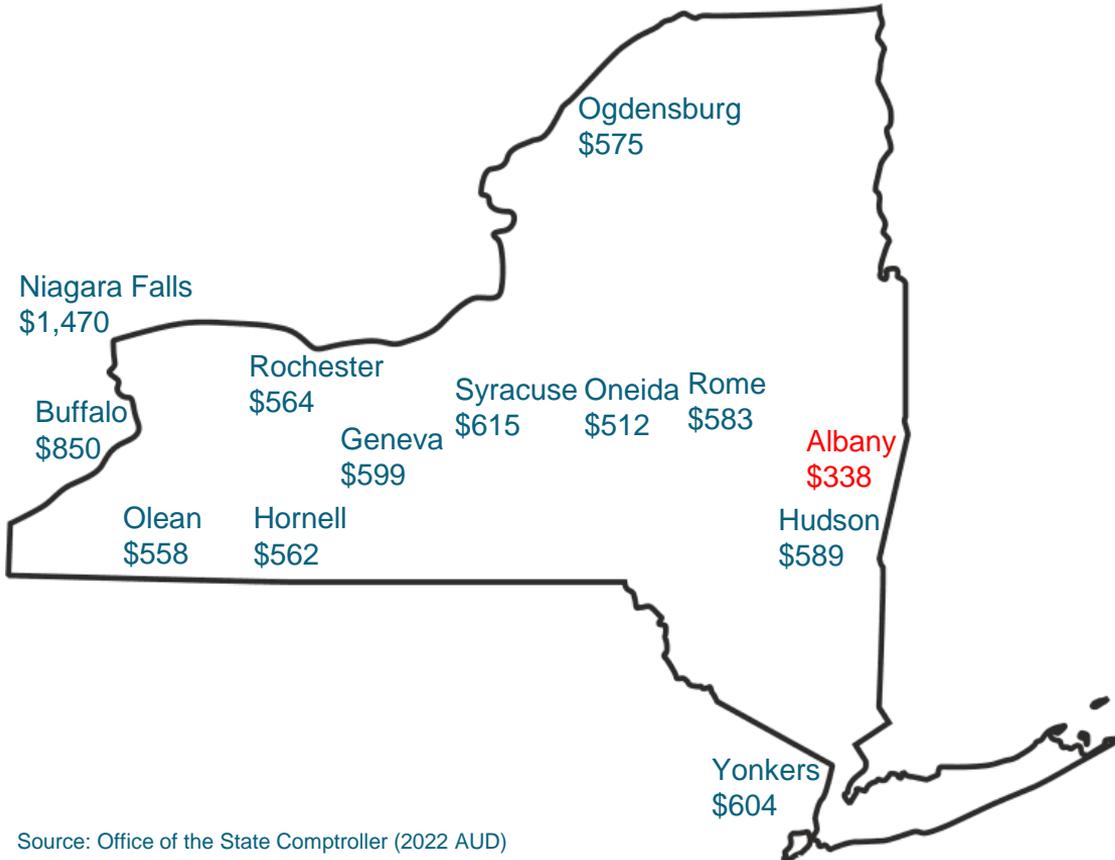


\$25 Million Albany for All Program

- ❖ 35 funded projects
- ❖ 75% of funding - \$18 million:
 - Affordable housing
 - Affordable homeownership
 - Community spaces
 - Direct services in Albany's neighborhoods of highest need
- ❖ 25% of funding - \$7 million:
 - Assisting small businesses and the City's hard-hit arts and tourism organizations



2022 City State Aid per Capita



ALBANY received \$33.5 million of State aid in 2022

What Albany would receive with parity to the other large cities...

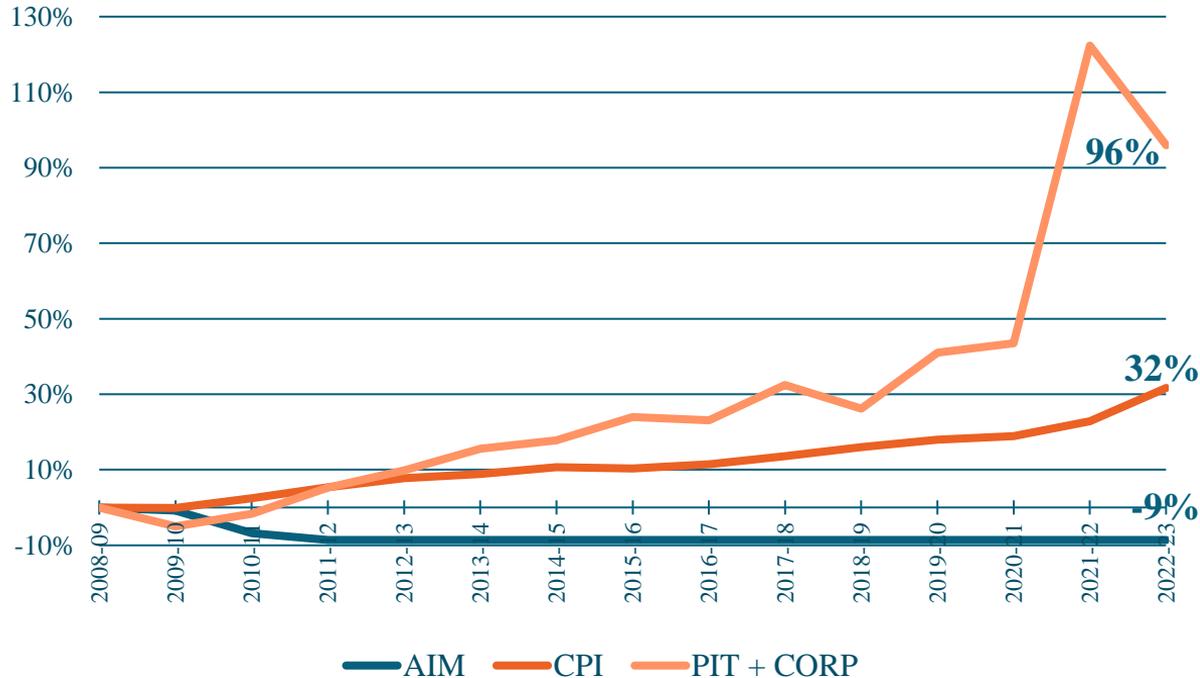
Same per capita as BUFFALO, \$84.3 million

Same per capita as ROCHESTER, \$56.0 million

Same per capita as SYRACUSE, \$61.0 million

Same per capita as YONKERS, \$59.9 million

Aid & Incentives to Municipalities (AIM)



From SFY 2008-09 to 2022-23...

State Personal and Corporate
Income Tax **UP** 96%

Inflation **UP** 32%

Aid to (non-NYC) Cities **DOWN** 9%

Albany Cannot Tax Its Way Out

<u>City</u>	<u>Taxable Value</u> (\$ Billions)	<u>City RPT Levy</u>	<u>School RPT Levy</u>	<u>Total Local Tax</u>	<u>Local Tax per \$1,000 FEV</u>
Albany	5.446	59,597,300	114,011,438	173,608,738	31.88
Buffalo	13.137	78,244,978	64,436,923	142,681,901	10.86
Rochester	7.549	69,085,471	111,168,262	180,253,733	23.88
Syracuse	5.187	36,449,902	62,407,853	98,857,755	19.06
White Plains	10.688	66,162,031	186,352,523	252,514,554	23.63
Yonkers	21.915	189,928,189*	257,234,995	447,163,184	20.40

*Yonkers Levy Includes City Personal Income Tax

What Albany Needs

- Certain and increasing non-property tax revenue for the City to maintain fiscal stability in order to provide its residents, daily commuters, and other visitors the level of services they deserve into the future
- Make the Empire State Plaza PILOT and Capital City payment permanent
- Rebase these two payments and increase by the 'allowable levy growth factor' (tax cap) each year