

**Mayor's Comments on State Budget as it Relates to Local Governments and the
City of Albany**

January 28, 2013

- **First I want to congratulate the Governor for proposing a no new tax budget – one that holds State spending growth and at the same time provides funding to grow the economy and create jobs. These actions will be critical to the long-term revitalization of our cities.**
- **The Governor's budget also builds on mandate relief by providing reforms to the workers compensation program and the binding arbitration process (capping awards at 2% for governments facing fiscal distress) – this is important relief, considering for most local governments 70 – 80% or more of their budgets are related to employee and retiree costs.**
- **The Governor's historic Tier 6 pension reform will also provide significant savings to localities like Albany in the years ahead and I believe the Governor's budget proposal to allow localities to “lock in” to stable predictable rates based on a long-term stable contribution option will be a critical tool for many localities that are now on the brink of facing bankruptcy or a control board.**
- **Contrast the Governor's leadership and initiative to what is happening in places like California where I just read an article about the City of San Bernardino and the affects of having to file for bankruptcy as a result of the burden of pension costs and other related municipal expenses. Essential critical services like public safety have been cut back so significantly that the city attorney's advice to city residents to stay safe and I quote “Lock your doors and load your guns.” Governor Cuomo understands that for the State to succeed our localities must also succeed and I thank him for these initiatives as well as his recognition that more must be done.**
- **In the last decade Albany's pension costs have gone from \$500,000 to over \$17.5 million. The Governor's proposal to help “smooth” the dramatic increases in pension growth is clearly a recognition of the burden this growth has placed on local governments.**
- **The City of Albany has for generations faced the inequities of having significant portions of its tax base exempt from taxation (nearly 55%) – largely as a result of State ownership; and not receiving compensation for essential services that are necessary to address the demands with being the State Capital (e.g., extra police security, extra fire and EMS services for not only the significant State workforce, but all of the not-for-profit**

organizations that are here, primarily because of our Capital City status). Albany's population nearly doubles during the work day with employees commuting into the City – using our services and leaving at the end of the day to suburban communities.

- **Compounding these inequities is the fact that the State allocation for aid to municipalities is not based on any definable or fair funding formula. Rather, it is a system of funding that has developed over time that has tended to reward municipalities that have not been well managed and that have received “extra” payments or “spin-ups.” These extra payments continue on year after year, creating disparities in funding levels versus Rochester, Syracuse and Utica among many others. If Albany received commensurate aid per capita with Yonkers, it would receive an extra \$51 million; with Rochester, it would earn an extra \$35 million; Syracuse an extra \$38 million; and Utica an extra \$12 million.**
- **Clearly the State needs to address these inequities:**
 - **The Governor's Financial Restructuring Assistance Task Force and the State Legislature must look to revising AIM funding so that it is equitably distributed;**
 - **It should establish a PILOT payment for all State-owned land in any City in which the value of New York State tax-exempt property exceeds by more than a certain percentage (e.g., 25%) the assessed value of the taxable real property in that city.**
- **e.g., In Albany, billions have been invested in Albany Nanotech by both the State and by private companies, which is fantastic for the City, for the region, and for the State, but not one dime is paid on this land in property taxes to the City or in PILOT payments.**
- **I ask for your support – to examine in particular the inequities Albany faces with regard to its significant challenges from tax-exempt properties and inequitable payments in State aid.**