



Service and Representation for Town Governments of New York

February 25, 2015

PUBLIC HEARING
on
2015-2016 Executive Budget

Presented to
Senate Finance Committee
and
Assembly Ways and Means Committee

Hearing Room B, Legislative Office Building

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real property tax to fund any essential repairs to local infrastructure. Even with the ability to levy above the cap after certain procedural steps, we are finding that more than 70 percent of municipalities forgo necessary improvements to local infrastructure in order to stay under the cap. When a town follows through with an override, it is typically out of necessity because of non-negotiable contractual obligations, response to natural disasters, equipment failures or crucial infrastructure repairs. Comptroller DiNapoli also observed that the added incentive via the tax freeze rebate program has put even more pressure on local governments to levy under the 2 percent cap. The result is a steady decline in the quality of local infrastructure, as the funds that have traditionally been available through the real property tax have dissipated without any additional aid being furnished.

The Governor has indicated that he would like to make the property tax cap, which is due to sunset next year, permanent. In this era of tough choices and limited funding to localities, something almost always has to give, and levying under the tax cap just is one more choice many governments have to make over funding local infrastructure improvements. So while we do not believe town officials need a property tax cap in order to levy a reasonable tax and keep taxes low; if the State chooses to make the tax cap permanent, changes must be made. Specifically, we respectfully request that the Legislature consider exemptions for structured costs, including pension contributions, health insurance, debt service and contract obligations; exemptions for costs associated with road maintenance, repair, renovation and snow removal; exemptions associated with capital projects and infrastructure improvements in utilities, transportation and communications, all of which are necessary to improve our quality of life and grow our economy; amendments to the tax cap formula to address disincentives to offer PILOTs; and amendments to the tax cap formula to address disincentives to consolidate services. Amending the tax cap in this manner will give local governments the ability to raise revenue while also addressing any infrastructure issues.

Turning to the proposed circuit breaker; the Executive Budget proposes a new personal income tax credit to provide a limited form of property tax relief. The circuit breaker would be available to eligible homeowners and renters whose property tax bills exceed 6 percent of their income and who reside in taxing jurisdictions that stay within their allowable levy limit. While we support property tax relief, the proposed circuit breaker program does not address the cost of maintaining or replacing local infrastructure or the growing costs of goods and services. Moreover, the circuit breaker will likely further discourage local investments in roads, bridges and water and wastewater systems as we strive to provide our residents with the most property tax relief possible. The proposed circuit breaker provides relief only to those New Yorkers who reside in municipalities and school districts able to fund their operations and services fully within the constraints of the tax cap. Inextricably linking the circuit breaker to the tax cap does a disservice to residents in dire need of real property tax relief. We believe that more New Yorkers will experience actual real property tax relief if you instead dedicate these resources toward general purpose revenue sharing and infrastructure funding.

AIM (Aid and Incentives to Municipalities) and Local Government Efficiency Grants

The Executive Budget proposes to fund AIM at last year's levels, with towns and villages sharing \$67.6 million and cities receiving \$647.1 million. AIM funding has remained relatively

of our towns to fund infrastructure repairs. While the tax cap has slowed the growth of property taxes statewide, it has not slowed the increase in the cost of salt, asphalt, labor and equipment, which continue to rise, even as CHIPS program funding remains flat.

We have a unique opportunity to use the multibillion dollar bank settlement funds to get people back to work, preserve our public health and cultivate our economy. New Yorkers will be best served by utilizing these funds for local infrastructure investments. We look to you, as you negotiate the budget, to funnel some of these funds toward improving our infrastructure. The Brookings Institution recently found that investing in infrastructure means investing in good-paying jobs (*Beyond Shovel-Ready: The Extent and Impact of U.S. Infrastructure Jobs*, Kane and Puentes Brookings Institute, 5/19/2014). Similarly, the Federal Highway Administration has found that nearly 30,000 jobs are created for every \$1 billion invested in infrastructure. National and local corporate surveys show that good infrastructure access is imperative for businesses looking to locate a new facility or grow an existing one. The cost of not using these funds to improve our infrastructure today will cost us more tomorrow in increased construction costs, lost jobs, lower tax revenue and decreased public health.

Environmental Protection Fund (EPF)

Local governments depend upon the Environmental Protection Fund (EPF) and other environmental funding programs to keep our lakes and rivers clean, to provide parks for our children to play, to keep recyclable goods out of landfills, to preserve open space and to protect farmland. The Executive Budget proposes a \$10 million increase in EPF funding from last year, and though the proposed increase in funding is well-received, there is still more that can be done. The EPF is chronically underfunded, to the detriment of New Yorkers' health and safety. In 2007, the Environmental Protection Fund Expansion Act amended Tax Law §1421 to increase funds deposited to the EPF for 2009-2010 to \$300 million; however, this funding never came to fruition, and EPF funding is still well below the \$300 million promised in 2008. EPF money can be used to improve and update things like municipal wastewater treatment plants. More than 25 percent of New York's wastewater facilities are operating beyond their useful life expectancy, and many others are outdated or are simply inadequate, increasing the likelihood of contamination of New York's drinking water (*Growing Cracks in the Foundation: Local Governments are Losing Ground on Addressing Vital Infrastructure Needs*, Office of the State Comptroller, December 2012 updated September 2014). Along similar lines, the Comptroller's Office estimates that clean water infrastructure needs are underfunded by more than \$400 million a year. Like wastewater infrastructure, failing clean water infrastructure poses a severe health risk to New Yorkers. Local governments are simply unable to absorb these costs, particularly as the cost of labor and materials rise. Increasing EPF money and money for clean water is not only an investment in infrastructure; it's an investment in the health of New Yorkers. It is fitting that in the 50th year of New York's Pure Waters Program, we have at our disposal a multibillion dollar bank settlement, providing a great synergetic opportunity to increase EPF funding.

Broadband Funding

The Executive Budget proposes to allocate \$500 million from the bank settlement funds to bring broadband to more New Yorkers. The Governor's proposal seeks to double this amount with

part of the budget negotiation process, as it provides real relief to local governments and their taxpayers without any impact on state operations.

Reduce the Cost of Public Notices

Property taxpayers collectively spend millions of dollars annually to publish government notices. The Executive Budget recognizes that there is a cost savings to moving publication requirements to government Web sites by proposing to amend the State Election Law to allow county boards of election to post election results on their Web sites and the state board of elections to post propositions on its Web site. Legislatures around the country are exploring ways to lower publication costs while preserving access to public notices, and New York should do the same. We understand that it is a complex balancing act; maintaining public access to local governments is a hallmark of government. Local governments are required to publish costly advertisements when seeking to enact local laws, conduct public hearings or submit requests for competitive bids; such notice could be published for free on a municipal Web site, thereby saving taxpayers real dollars. As we look for ways to lower the cost of government services, we respectfully ask that you consider this issue during your deliberations this session.

State Pollution Discharge Elimination System (SPDES)

The Executive Budget further proposes increasing the fees that municipalities must pay for State Pollutant Discharge Elimination System (SPDES) permits in order to fund DEC Pollution Control programs. We support initiatives to reduce pollution and will work with the state to achieve these goals; however, we believe this can be better achieved without placing additional financial burdens on municipalities and local taxpayers, which are already financially strapped and trying to operate under a tax cap and tax freeze. While we understand the need for the Department of Environmental Conservation to have the appropriate resources to oversee the SPDES program, municipalities do not have the financial resources to pay for increased fees in a tax cap and freeze environment.

Extend and Reform the Brownfield Cleanup Program

Lastly, the Executive Budget proposes to extend the Brownfield Tax Credit program from December 31, 2015 to December 31, 2025, with the proviso that such tax credits shall not be applicable to any site accepted into the program after December 31, 2022 and, additionally, any site accepted into the program prior to that date must receive the certificate of completion by December 31, 2025.

The Executive Budget also reforms the two tax credits in that the remediation credit is limited strictly to the actual clean-up of sites and not, as currently allowed, for construction or start-up costs associated with a project, and that the redevelopment tax credits, now virtually limitless, would be available for projects only if one of three criteria is met: a site would have to be in a legally defined "economically distressed" area of the state; a project would have to have affordable housing as a core component of the re-use; or the cost of the clean-up is greater than the property's value.