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New York State Conference of Mayors and Municipal Officials

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The 2014-2015 Executive Budget

Testimony of the New York State Conference of Mayors

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Before the
Joint Fiscal Committees' Hearing on the Executive Budget

Senate Finance Committee
Hon. John DeFrancisco, Chairman

Assembly Ways and Means Committee
Hon. Herman D. Farrell, Jr., Chairman

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Albany, New York

Thank you for affording NYCOM the opportunity to express the views of our 580 member cities and villages regarding the 2014-15 Executive Budget. I am Peter Baynes, Executive Director of the New York State Conference of Mayors.

I will begin my remarks by addressing what is perhaps the most significant proposal in the Executive Budget as it relates to local governments. Unfortunately, I am not talking about a substantial increase in AIM funding or any meaningful mandate relief. What I am referring to is the proposed Property Tax "Freeze." Effective for local government fiscal years beginning in 2015, the Executive Budget proposes to effectively freeze property taxes on the primary residences of homeowners with annual incomes at or less than $500,000 in local governments and school districts that stay within the tax cap for the next two years. In order for homeowners in their jurisdiction to receive the property tax credit in the second year, local governments and school districts must stay within the tax cap, as well as develop Efficiency Plans that feature sharing or consolidating services that, when implemented, will achieve real savings for taxpayers.

Such savings must equal at least 1% of the combined countywide municipal tax levies for all local governments participating in the plan in 2017, 2% of the combined tax levies for all local governments participating in the plan in 2018, and 3% of the combined tax levies for all local governments participating in the plan in 2019. The development of such plans would be coordinated by the county – or if the county elects not to participate, the city or town in the county with the largest population. The plan must be submitted to the Secretary of State by June 1, 2015. School districts (excluding Buffalo, Rochester, Syracuse and Yonkers) would be required to collectively develop a similar plan within each BOCES region.

It is important to note that the Executive Budget also proposes a Real Property Personal Income Tax Credit – also know as a "circuit breaker" – beginning in 2014 that is targeted to low-income and middle class New York homeowners with qualifying incomes up to $200,000. The value of the credit is based upon an individual's property tax liability as a percentage of their income. This credit, too, would be available only to residents in municipalities that comply with the tax cap.

NYCOM has several concerns with respect to the property tax "freeze" proposal. First, although there was a promise that the enactment of the property tax cap would be followed by meaningful mandate relief to immediately help local governments live within the cap, that promise has not been kept, nor has there been any additional state aid. Aside from the creation of Tier 6 – which NYCOM strongly supported but that will not produce significant savings for many years – cities and villages have received little, if any, mandate relief from the state, and there has been no increase in AIM funding since 2008-09. Now, the State is putting additional pressure on local officials to stay within the cap with no sign of any assistance in sight.

Second, NYCOM has repeatedly made the point that local governments have been, and are continuing to consolidate and share services – in most cases because they have to in order to balance their budgets and continue to keep year-to-year spending growth at the extremely low rates that both cities and villages have experienced in recent years. This proposal fails to recognize that these actions have already occurred. In fact, I would argue it penalizes those municipalities that have already taken such action, or found other ways to cut costs in order to stay within the tax cap. Under this proposal, municipalities will not be "credited" for what they have already accomplished, but will have to look for additional opportunities to consolidate, share and cut – opportunities which may no longer exist or perhaps cannot be accomplished due to the many state-imposed legal barriers that stand in the way. We strongly encourage the Governor and the Legislature to consider allowing recent successful consolidations and sharing of services – perhaps those that have been implemented since the tax cap was imposed – to "count" toward the requirement under this proposal.

Third, in certain instances the property tax cap has actually proven to be a disincentive to consolidating and sharing services. This is due to the fact that when a municipality consolidates services with another municipality, its tax levy cap is reduced – the theory apparently being that since the locality is no longer providing the service, it no longer needs the property tax revenue to fund the service. Furthermore, if a municipality was funding the service through something other than general fund revenues, and now is using general fund revenue to pay another municipality to provide the service on their behalf, the expense associated with the service now counts toward their tax cap. It makes no sense for the state to essentially compel local governments to look for ways to consolidate and share services, and then "punish" those municipalities by reducing their tax levy cap.

Finally, I think it is important to acknowledge that bigger isn't always better. Local governments oftentimes investigate the consolidation or sharing of services with their neighbors and ultimately decide not to go ahead with such arrangements because the negative impact on the quality of services more than offsets any potential cost savings. Sharing and/or consolidating may not always be in the best interest of the community or its residents, and there is no better place for this decision to be made than by the community itself.

AIM Funding

We have argued time and time again that AIM is a property tax relief program works. This is obvious from the data that illustrates when AIM funding was increased, the growth in property tax levies remained under the cost-of-living. In years when AIM was cut, tax levies increased at levels unaffordable to local taxpayers. Since 2008-09, AIM funding has been reduced by $50 million – a 7% cut – for cities, villages and towns, and funding for New York City was eliminated. School districts, on the other hand, are scheduled to receive another 3.8% increase in aid in the coming year.. In fact, the amount of the proposed school aid increase alone exceeds the entire amount allocated to the AIM program. We are not saying that the schools are not deserving of this amount – but aren't the State's local governments deserving as well? A mere 10% of the school aid increase – $80 million – would go a long way toward not only achieving government efficiency but also lowering property taxes. We urge the Legislature, when considering spending priorities in the 2014-15 State Budget, to give first priority to the AIM program and provide a long-overdue increase in this essential funding source.

CHIPS Funding

As our members will tell you, and the Comptroller's report confirms, one of the many negatives of a downturn in the economy and the associated reduction in municipal revenues is the deferral of capital projects and repairs. Local governments are responsible for a considerable portion of New York's road, highway and bridge infrastructure, which is why state funding in this area is essential. NYCOM appreciates the Executive Budget's proposal to maintain CHIPS funding at current year levels. However, at a time when improving our local infrastructure is essential to the recovery and revitalization of our communities and our state, the need for additional resources for this purpose is more critical than ever.

EPF and Brownfields Funding

The Executive Budget would increase the Environmental Protection Fund by $4 million to $157 million, including $14 million for the Solid Waste Program, $60 million for the Parks and Recreation Program and $85 million for the Open Space Program. In addition to this dedicated funding source for communities throughout New York, the Budget includes the authority to bond an additional $100 million to extend the State's Superfund clean-up program, of which $10 million would be dedicated to the Environmental Restoration Program to address municipally-owned brownfields.

NYCOM fully supports these critical environmental protection investments but strongly encourages the Legislature to enhance these revitalization efforts by giving local governments the ability to address abandoned property and downtown redevelopment. Many communities in New York are littered with abandoned properties, the result of the decades-long economic decline in upstate New York. To address this increasing problem, local officials need a comprehensive and effective tool-kit that includes: the ability to take title to abandoned commercial property; increased flexibility with respect to property tax enforcement; and the ability to hold parent corporations and owners of abandoned property responsible for nuisance abatement and demolition costs that exceed the property's value.

Finally, the State should eliminate the asbestos notification fee imposed by §904 of the Labor Law when asbestos abatement is performed. This fee is not only an impediment to local government efforts at remediating blight and redevelopment their communities, it is also a significant unfunded mandate when local governments are unable to recover the cost of demolishing an unsafe building. State law should be amended to waive the asbestos project notification fee for local governments that are abating or demolishing nuisance or unsafe structures.

Design-Build Authorization

For the first time, the Budget would extend the authority previously given to State agencies and authorities to use design-build contracts and design-build-finance contracts for their capital projects to local governments with populations of 50,000 or more. Design-build is a method of project delivery in which a single contract is executed with a single entity or team providing architectural, engineering and construction services. By relying on a single point of responsibility, the design-build model minimizes risks for the project owner, reduces the delivery schedule by consolidating the design phase and construction phase with a single source of contact, and cuts costs by streamlining the construction process.

As highlighted in the Article VII memorandum of support, since signed into law in 2011, the Infrastructure Investment Act (the Act) has been used by the Department of Transportation (DOT) to procure eleven contracts for bridge and deck replacements, and highway, bridge and rail station rehabilitation that resulted in 40 projects totaling $858 million. The Thruway Authority used the design-build procurement process for the $3.9 billion contract for the New NY Bridge, replacing the Tappan Zee Bridge, and the Bridge Authority awarded a $549,000 project to replace HVAC and perform asbestos abatement on two buildings at their Mid-Hudson Bridge facility. The design-build procurement method has accelerated DOT projects by at least a year and resulted in $1 billion of savings on the New NY Bridge project alone. Given the success of design-build at the state-level, we fully support extending this authority to <u>all</u> local governments to offset the rising construction-related costs and help them meet crucial infrastructure needs.

Conclusion

The State cannot and should not place the blame for high property taxes solely on local governments. Mayors will continue to do all they can within existing state laws to reduce municipal spending, including more in the area of shared services and consolidation, but they will further succeed only if the state gives them the tools to do so. Various state mandates, including collective bargaining requirements, are the primary barriers to shared and consolidated services. Legislative reform of these mandates, and the many others that obstruct local efficiency, would guarantee meaningful and sustainable property tax relief for all New Yorkers. The Executive Budget, while demanding much of local governments, would not remove any such barriers, nor does it provide any additional AIM funding to assist them in their efforts.

The theme of the Governor's Budget presentation was "Building on our Successes," and clearly there have been many of them at the State level in recent years. Local governments have had a number of successes too – though they often go unnoticed. The only way we can keep building on New York's success is through a mutually respectful partnership between the state and its cities, villages, counties and towns.

Again, I thank you for the opportunity to testify at this important hearing. NYCOM looks forward to providing your committees with additional input as the budget making process continues.