



LOCAL GOVERNMENT



SUPPORT FOR LOCAL GOVERNMENT

The Executive Budget continues to deliver core local government aid, including Aid and Incentives to Municipalities (AIM), and an array of shared service and efficiency-based funding amidst a backdrop of considerable local fiscal health.

The State provides support for local governments in several ways, including general purpose aid and a variety of local government restructuring and efficiency grants designed to help municipalities work together, capture efficiencies, save money, and protect programs and services.

The Aid and Incentives to Municipalities (AIM) program provides reliable general-purpose aid to New York State’s cities, towns, and villages. Other programs providing aid to local governments include Small Government Assistance, miscellaneous financial assistance and support for municipalities with video lottery gaming facilities.

Competitive Local Government Efficiency Grants help cover costs associated with consolidation, shared services, or other efficiency initiatives.

Citizens Reorganization Empowerment Grants are available to local governments for planning and implementing reorganization activities, such as consolidations and dissolutions.

For cities, towns, or villages that consolidate or dissolve, Citizen Empowerment Tax Credits provide an annual aid bonus to bolster the newly combined local government and provide direct relief to property taxpayers.

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.

PROMOTING THE FISCAL HEALTH OF LOCAL GOVERNMENTS AND PROTECTING TAXPAYERS

Emerging resilient from the pandemic, most local governments in New York State stand on strong financial footing. Municipalities shouldered large public health efforts to protect, test, trace, treat, and vaccinate millions of New Yorkers, but at the encouragement of Governor Hochul and other officials at the State, Federal, and local levels, those efforts have been supported by much needed funding from the American Rescue Plan Act (ARPA) and the Infrastructure Investment and Jobs Act.

Also helping local budgets, local sales tax collections through November 2022 were over 15 percent higher than in 2021, on a statewide basis. New York City collections were 21 percent higher, and collections in the rest of the State ranged from 5.5 percent higher in Central New York to 9 percent higher in Mid-Hudson.

These strong sales tax results are also due, in large measure, to the State’s recent actions to increase enforcement and compliance with respect to internet sales taxes due within New York State. As a result of these efforts, from State Fiscal Year 2020 through the first half of the State’s 2023 Fiscal Year, counties and

AMERICAN RESCUE PLAN ACT (ARPA) FUNDING FOR LOCAL GOVERNMENTS		
<i>(MILLIONS OF DOLLARS)</i>		
ENTITY	SFY 2022 ALLOCATION	SFY 2023 ALLOCATION
New York City	2,939	2,939
Counties	1,140	1,140
Big Four Cities	372	372
Other Entitled Cities	342	342
Entitled Town and Villages	178	178
Non-Entitled Cities	25	25
Non-Entitled Towns and Villages	362	362
TOTAL	5,359	5,359

local governments have benefitted from an additional \$1.37 billion in local revenue, cumulatively, and New York City benefitted from an additional \$830 million.

The infusion of extraordinary Federal aid and increased sales tax revenues, combined with the State's persistent efforts to provide mandate relief, encourage shared services, and promote efficiencies has resulted in local governments being financially healthier than ever.

The number of local governments experiencing fiscal stress, as identified by the Office of the State Comptroller's Fiscal Stress Monitoring System, is at a new record low of 20 municipalities out of nearly 1,600. For the first time, the System did not identify any of the State's 57 counties as experiencing fiscal stress.

In the OSC 2021 data, only one municipality was designated as experiencing "significant fiscal stress," and only five municipalities were designated as experiencing "moderate stress." For comparison, the 2020 data designated nine municipalities as being in "significant fiscal stress" and five municipalities being in "moderate stress". The 2021 data represents a significant decrease from the high of 69 municipalities in 2014, with a consistent downward trend since.

Among the main beneficiaries of the strong financial position of local governments are taxpayers. Property taxes, the most important revenue for local governments, remained stable throughout the economic fallout of the pandemic and the boom of the recovery. Through the eleventh year of the Property Tax Cap, taxpayers have saved over \$91 billion. For the typical taxpayer, this equates to cumulative savings of \$12,000. Taxpayers have also enjoyed significant predictability, with average increases of just 1.89 percent per year -- less than half the average annual growth from 2000 to 2010.

Also benefiting from the fiscal health of local governments are the people who depend on local governments for everything from vital benefits to drivable roads. The pandemic necessitated new methods of delivering services, created new cooperation between governments, and provided many lessons learned. Now, the State and its local

governments are positioned to partner in addressing pressing needs, such as solving the housing crisis, promoting public safety, and identifying prudent investments in the infrastructure systems of tomorrow.

Impact of the FY 2024 Executive Budget

The overall impact of the 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 2024 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.

**\$52.5 BILLION
ON BEHALF
OF LOCAL
GOVERNMENTS**



Total spending on behalf of local governments through major local aid programs and savings initiatives is expected to total \$52.5 billion in FY 2024 under the Executive Budget. This represents an increase of \$4.2 billion over the prior year, predominantly due to increases in school aid.

The second way of measuring the impact of the FY 2024 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 these narrower criteria, actions taken in the Executive Budget result in a year-to-year net positive local impact of over \$2.9 billion for municipalities and school districts for their fiscal years ending in 2024.

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 \$6.2 billion in FY 2024 under the Executive Budget. This includes over \$3 billion attributable to the State takeover of local Medicaid growth.

Traditional local impacts result in a net negative impact of \$218.4 million, most of which is due to State retention of benefits associated with the Affordable Care Act to offset health care spending growth financed by the State, resulting in a negative local impact of over \$281 million. Actions with a positive local fiscal impact include \$10 million for increased funding for Code Blue and \$37 million to expand youth employment programs year-round, as well as significant investments in aid to prosecution for district attorneys, anti-fentanyl grants, the Gun-Involved Violence Initiative (GIVE), pre-trial services, re-entry programs, threat management assessment teams, and Next Generation 911 upgrades. This increased funding is partially offset by increased assigned counsel (18-b) rates due to litigation.

Support for Cities, Towns and Villages. The Executive Budget provides over \$1.27 billion in support for towns, villages, and cities other than the City of New York. Traditional local impacts result in a net positive impact of \$15 million. In the City's 2024 fiscal year, the City of Albany will be provided \$15 million in Miscellaneous Financial Assistance.

Support for New York City. Total State spending on behalf of New York City through major local aid programs is expected to total over \$20.9 billion in FY 2024 under the Executive Budget. This includes \$3.3 billion attributable to the State takeover of local Medicaid growth and \$13.1 billion in school aid. Total support for New York City is higher than FY 2023 by \$1.35 billion in large measure due to a year-to-year Foundation Aid increase of \$569 million as well as a \$25 million increase in school expense-based aid and categorical aid programs.

Traditional local impacts presented in the Executive Budget show a net positive impact of \$466 million for the 2024 New York City Fiscal Year. This reflects almost \$1.34 billion in positive local impacts including \$696 million in State investment in migrant shelter and HERCC costs. Partially offsetting those are \$866.5 million in negative impacts, the largest piece

being \$343 million due to State retention of benefits associated with the Affordable Care Act to offset health care spending growth financed by the State and \$438 million in various additional supports to the MTA from New York City.

Support for School Districts. For the 2024 school year, the Executive Budget increases Foundation Aid for school districts outside New York City by over \$2.1 billion and expense-based and categorical aids by \$208 million. Additionally, the Executive Budget expands Universal Pre-K, which results in a \$100 million positive impact to school districts outside of New York City. Partially offsetting this impact, the Budget also maintains the school districts' current share of the residential cost for Committees on Special Education (CSE) placements, which results in a \$28 million negative impact.

PROPOSED FY 2024 BUDGET ACTIONS

Encourage Local Government Efficiency and Shared Services. By continuing to work together, local governments can build on their strong financial footing to capture efficiencies, save taxpayer dollars, and protect programs and services. The FY 2024 Executive Budget continues support for a variety of local government restructuring and efficiency grants, including the following:

- **County-Wide Shared Services Initiative.** The Executive Budget continues the effort 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 2022 are eligible to receive matching funds from the State beginning in calendar year 2023. In addition, recent legislation encourages 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. Through 2020, countywide plans have identified more than 1,000 projects with recurring local property tax savings. The Executive Budget includes over \$200 million in appropriations to support State matching grants for these collaborations.

- **Local Government Efficiency Grants.** The Budget continues to make competitive grants available 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, the Budget supports tax credits that 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 as direct relief to property taxpayers.

Support Housing Production through Local Government Planning and Infrastructure Grants.

To support the New York Housing Compact, the Budget makes available to local governments a \$250 million Infrastructure Support Fund and a \$20 million Planning Assistance Fund. Municipalities may submit requests for planning funding to undertake required zoning actions, supported by a new Housing Planning Office within New York State Homes and Community Renewal. Infrastructure grants will aid projects triggered by plans for increased housing, such as sewer and water infrastructure, structured parking facilities that allow existing lots to be repurposed, potential school infrastructure needs, and improvements to accommodate neighborhood growth and livability.

Make Local Sales Tax Rate Authorizations Permanent.

In an effort to shore up local government finances and to ensure revenue stability and certainty for local governments going forward, the Executive Budget:

- Grants permanent local sales tax authority for all counties and cities at their existing rates or up to 4 percent.

- As such, local governments would no longer need to seek and receive the State's approval as long as they want to extend their existing rates or increase their rate to no more than 4 percent.
- All local governments will still be required to seek and receive temporary approval by a majority vote of the local government's governing body in order to impose additional sales tax above the current statutory 3 percent threshold.

Provide a Market-Rate of Interest on Court

Judgments. For court judgments paid by public and private entities, the Executive Budget allows a variable market-based interest rate, providing mandate relief for local governments and lower State taxpayer costs. The market-based interest would be the weekly average one-year constant maturity treasury yield, which is the same rate utilized by the Federal court system. Currently, the interest rate on judgments is established at a fixed rate of as much as nine percent, annually. A prevailing market rate will help ensure that neither side in a lawsuit will be disadvantaged by an interest rate that is above or below what otherwise could be earned while cases are being adjudicated.

Protect Local Governments Against Cyber Attacks.

The Executive Budget includes \$42.6 million to further strengthen State and local cyber defense and response efforts. Investments in hardware and software security tools and cyber personnel will enhance protection of State and local systems and reduce risk and vulnerabilities.

Continue the State Cap and Takeover of Local

Medicaid Costs. The FY 2024 Executive Budget shoulders \$6.4 billion in Medicaid cost increases on behalf of local governments as part of the State cap and takeover of local Medicaid growth. In FY 2024 alone, New York City will save \$3.4 billion and counties across the State will save an additional \$3.0 billion by the State's assumption of costs. From FY 2007 when the State cap of Medicaid growth began, through FY 2022, the State has assumed more than \$37.9 billion in Medicaid costs that counties and New York City would have otherwise had to bear.

SUMMARY OF ALL FUNDS LOCAL GOVERNMENT STATE SPENDING				
CATEGORY	FY 2023 (MILLIONS OF DOLLARS)	FY 2024 (MILLIONS OF DOLLARS)	DOLLAR CHANGE (MILLIONS OF DOLLARS)	PERCENT CHANGE (%)
Aid and Incentives to Municipalities	714.7	714.7	0.0	0.0
County-Wide Shared Services Initiative	31.0	59.0	28.0	90.3
Citizens Empowerment Tax Credits and Grants	5.6	5.6	0.0	0.0
Local Government Efficiency Grants	3.1	3.9	0.8	26.9
Local Government Performance and Efficiency Program	8.8	10.0	1.2	14.1
VLT Impact Aid	28.9	28.9	0.0	0.0
Miscellaneous Financial Assistance	25.5	18.8	-6.7	-26.4
Small Government Assistance	0.2	0.2	0.0	0.0

	Local Medicaid Cost Takeover			
	Cumulative LTD (FYs 2007 - 2022)	SFY 2023 Estimated	SFY 2024 Proposed	Proposed Cumulative LTD
Statewide Total	33,414,035,175	5,540,397,733	6,370,364,196	45,324,797,103
New York City	15,352,299,901	2,874,131,626	3,394,017,325	21,620,448,852
ROS Total	18,061,735,274	2,666,266,107	2,976,346,871	23,704,348,252
Albany	346,011,947	55,775,061	63,393,559	465,180,566
Allegany	58,813,039	8,836,525	10,038,153	77,687,716
Broome	406,855,247	55,303,849	61,284,310	523,443,406
Cattaraugus	123,603,210	19,076,419	21,372,610	164,052,239
Cayuga	129,485,942	19,237,336	21,377,557	170,100,836
Chautauqua	251,458,972	38,166,088	42,608,173	332,233,233
Chemung	138,125,413	21,007,466	23,638,085	182,770,965
Chenango	75,947,082	10,934,558	12,267,214	99,148,853
Clinton	110,062,341	16,892,069	19,086,356	146,040,766
Columbia	114,352,529	15,783,188	17,496,942	147,632,659
Cortland	79,084,680	11,130,918	12,484,563	102,700,161
Delaware	74,285,723	11,063,243	12,323,798	97,672,764
Dutchess	504,703,044	68,568,960	75,645,085	648,917,089
Erie	1,398,184,268	225,224,716	253,006,663	1,876,415,648
Essex	46,830,437	7,149,099	8,036,542	62,016,077
Franklin	76,902,089	10,882,502	12,218,499	100,003,090
Fulton	91,683,714	13,691,523	15,448,335	120,823,572
Genesee	70,140,895	11,319,308	12,654,883	94,115,086
Greene	86,260,934	11,938,055	13,324,108	111,523,098
Hamilton	5,239,151	850,928	946,353	7,036,432
Herkimer	107,689,192	15,433,339	17,286,307	140,408,838
Jefferson	141,778,966	22,999,860	25,744,322	190,523,149
Lewis	30,566,584	5,389,952	6,057,355	42,013,891
Livingston	81,252,731	11,860,763	13,208,960	106,322,454
Madison	92,744,818	13,291,749	14,852,114	120,888,681
Monroe	1,181,016,432	204,413,691	228,936,496	1,614,366,618
Montgomery	118,389,746	16,388,204	18,196,006	152,973,956
Nassau	2,000,843,533	294,411,276	328,130,466	2,623,385,276
Niagara	326,941,714	49,978,146	56,079,731	432,999,591
Oneida	414,068,179	63,121,515	70,710,527	547,900,221
Onondaga	827,419,964	126,036,011	140,629,970	1,094,085,945
Ontario	136,914,243	20,287,132	22,619,608	179,820,983
Orange	830,091,696	110,295,950	121,891,325	1,062,278,971
Orleans	65,491,414	10,095,795	11,270,015	86,857,224
Oswego	217,664,073	31,725,118	35,337,486	284,726,677
Otsego	70,669,727	10,884,268	12,251,078	93,805,074
Putnam	93,638,823	13,992,728	15,498,345	123,129,895
Rensselaer	201,538,031	31,747,609	35,942,270	269,227,910
Rockland	800,519,972	102,306,779	113,068,656	1,015,895,407
St Lawrence	176,102,448	23,389,528	26,409,642	225,901,617
Saratoga	226,854,660	33,283,740	36,980,577	297,118,978
Schenectady	324,243,916	46,239,567	51,356,290	421,839,773
Schoharie	39,317,293	6,509,294	7,291,319	53,117,906
Schuyler	22,405,539	3,870,930	4,358,312	30,634,781
Seneca	44,243,988	7,048,077	7,879,726	59,171,791
Steuben	136,416,798	21,792,336	24,430,125	182,639,259
Suffolk	2,518,589,763	349,884,542	388,063,738	3,256,538,043
Sullivan	193,569,655	27,269,912	30,304,465	251,144,033
Tioga	52,934,166	8,084,271	9,120,470	70,138,908
Tompkins	97,008,045	13,944,396	15,597,662	126,550,103
Ulster	365,591,133	51,234,166	56,815,985	473,641,283
Warren	77,602,306	12,673,121	14,264,794	104,540,221
Washington	100,552,829	14,797,312	16,460,890	131,811,031
Wayne	168,682,858	22,890,778	25,248,589	216,822,224
Westchester	1,516,178,436	224,268,650	252,448,781	1,992,895,866
Wyoming	44,247,855	6,876,552	7,661,605	58,786,012
Yates	29,923,090	4,717,238	5,291,077	39,931,405