

## Local Governments

For local government fiscal years ending in 2008, the proposed Executive Budget allocates \$1.25 billion in state-wide local assistance. Allocations to municipalities are as follows: Counties \$458.2 million; New York City \$737.3 million; Other Cities \$54.7 million; and town and villages \$4.5 million.

### *Aid & Incentives for Municipalities (AIM) – Local Aid*

The Executive proposed amending the Aid and Incentives for Municipalities (AIM) Program to concentrate on distressed municipalities. Under these changes New York City would be excluded from the program losing, \$327.9 billion, and an additional 81 towns and villages would no longer qualify for AIM, losing \$1.8 billion. These changes would negatively impact municipalities by \$329.8 million in SFY 2007-08.

This restructuring would also include an increase of \$50 million in annual performance-based increases to distressed municipalities, totaling \$200 million over a four-year period beginning in State Fiscal Year (SFY) 2007-08.

The AIM increases would positively impact cities outside New York City by \$47.4 million in SFY 2007-08.

### *Aid & Incentives for Municipalities (AIM) – SMSI Grants*

The Executive Budget funds the Shared Municipal Services Incentive (SMSI) Program at \$25 million. The program will continue to support \$15 million in

grants for a range of local shared services activities but will be modified in order to assign priority to grant applications from distressed municipalities, as well as initiatives involving school districts. Municipalities would be able to apply to the Department of State for grants of up to \$200,000 per municipality. Additionally, a new \$10 million consolidation incentive aid would be created under the new SMSI that provides a recurring 25 percent AIM increase to municipalities that merge or consolidate beginning in SFY 2007-08. New York City is excluded from participation in the SMSI program.

Table 2

Impact of the 2007-08 Executive Budget on Local Governments					
Local Fiscal Year Basis Ending in 2008					
(\$ in millions)					
	Total	NYC	Counties	Other Cities	Towns & Villages
Revenue Actions	379.8	344.0	35.8	0.0	0.0
Transportation	28.9	18.0	10.9	0.0	0.0
Public Protection	6.3	0.0	1.3	0.0	5.0
Municipal Aid	(297.1)	(347.9)	(3.4)	54.7	(0.5)
Welfare/Child Welfare	(18.4)	(5.4)	(13.0)	0.0	0.0
Early Intervention	2.3	0.8	1.5	0.0	0.0
Economic Development	(2.2)	0.0	(2.2)	0.0	0.0
Mandate Relief/Other	22.0	22.0	-	-	-
<b>Subtotal</b>	<b>121.6</b>	<b>31.5</b>	<b>30.9</b>	<b>54.7</b>	<b>4.5</b>
Medicaid Cap	640.3	343.3	297.0	0.0	0.0
Family Health Plus Takeover	492.8	362.5	130.3	0.0	0.0
<b>Total Local Impacts</b>	<b>1,254.7</b>	<b>737.3</b>	<b>458.2</b>	<b>54.7</b>	<b>4.5</b>

*Video Lottery Terminal (VLT) Municipal Aid*

The Executive proposed amending the VLT Municipal Aid established in SFY 2006-07, for SFY 2007-08 to exclude New York City and limit the program to high need municipalities in SFY 2008-09. The exclusion would reduce New York City Aid by \$20 million in SFY 2007-08.

*Revenue Actions*

The Executive proposed revenue actions for the City of New York that will generate a CFY 2007-08 net increase of \$344 million in revenue. This is comprised of closing corporate tax loopholes and would change the sales tax on the hotel and motel tax via internet sales. This proposal is estimated to generate \$374 million in revenue. These monies are offset by an increase in the

State's charge for New York City's personal income tax administration.

- The enforcement of cigarette tax collections from Indian reservations is estimated to generate \$29 million in revenue on an annual basis for counties, primarily in central and western New York.

*Welfare/Child Welfare*

The Executive proposed an increase in local TANF allocations for Flexible Fund for Family Services (FFFS) and the Summer Youth Program and proposed an adjustment for the Office of Child and Family Services (OCFS) youth facility rates.

- This increased TANF allocation would have a positive impact of \$5.5 million

for New York City, and \$3.7 million for counties.

- The adjustment for OCFS would negatively impact the City by \$10.9 million, and the counties by \$16.7 million.

#### *Early Intervention*

The Executive proposed an increase for Early Intervention reimbursement revenue.

- The City would realize an increase of \$800,000.
- Counties would realize an increase of \$1.5 million.

#### *Public Protection*

The Executive proposed a SFY 2007-08 increase of \$6.3 million for public protection for counties and towns and villages.

- The bulk of the local savings would be \$5 million of new funding for town and village justice courts.

#### *Transportation*

The Executive proposed an overall increase of \$18 million for transportation in New York City. This allocation includes a one-time funding for the Roosevelt Island Tram totaling \$11.3 million, \$1.7 million for the Staten Island Ferry and \$5 million for New York City buses. Downstate counties would similarly see an increase of \$10.9 million in Operating Assistance.

#### *Economic Development*

The Executive proposed to eliminate funding for empire zone administration. This would negatively impact counties by \$2.2 million.

#### *Mandate Relief*

The Executive proposed mandate relief that included Wicks reform, collateral source and interest rate on judgments. The City would have a net benefit in the amount of \$22 million.

- Under the Wicks reform proposal, New York City's threshold would be raised from \$50,000 dollars to \$2 million. This is linked to the Consumer Price Index (CPI) in order to adjust for inflation costs. This would provide \$8 million to the City of New York.
- While the Wicks threshold would similarly be raised (and indexed) to \$1 million outside of the City, the impact of this adjustment is undetermined.
- The City would realize \$14 million in savings from mandate relief.

#### *Medicaid Cap and Family Health Plus Takeover*

The Executive proposed to continue the local cap on Medicaid which would generate a savings of \$343.3 million to the City of New York. Counties would have a positive impact of \$297 million from the Cap. These are based upon what the projected spending for Medicaid would have been above the implemented 3.5 percent cap.

- Furthermore, the Executive also proposed the State's continued Family Health Plus takeover savings. New York City would realize an additional \$362.5 million in savings, while the savings for counties would be \$130.3 million.

*Contingency Appropriation*

The Executive recommended a contingency appropriation in the amount of \$548.3 million. These monies would go to meet the debt service or other obligations related to New York City, including authorization for payments to

the Municipal Assistance Corporation (MAC) in the event the City cannot meet its obligation.

*Fiduciary Appropriation*

The Executive recommended a combined \$35.3 billion in fiduciary appropriations for the Municipal Assistance State Aid Fund, the Municipal Assistance Tax Fund and the Stock Transfer Fund to ensure both the cities of New York and Troy have substantial Municipal Assistance Corporation (MAC) debt service coverage.

Table 3

Impact of the 2007-08 Executive Budget on Local Governments Local Fiscal Year Basis Ending in 2007 (\$ in millions)					
	Total	NYC	Counties	Other Cities	Towns & Villages
Revenue Actions	17.7	(7.5)	25.2	0.0	0.0
Transportation	13.6	5.4	8.2	0.0	0.0
Public Protection	3.8	0.0	0.9	0.0	2.9
Municipal Aid	(7.4)	(20.0)	0.0	11.9	0.7
Welfare/Child Welfare	(8.3)	(1.1)	(7.2)	0.0	0.0
Early Intervention	0.0	0.0	0.0	0.0	0.0
Economic Development	(0.5)	0.0	(0.5)	0.0	0.0
Mandate Relief/Other	1.8	1.8	-	-	-
<b>Subtotal</b>	<b>20.7</b>	<b>(21.4)</b>	<b>26.6</b>	<b>11.9</b>	<b>3.6</b>
Medicaid Cap	412.3	224.8	187.5	0.0	0.0
Family Health Plus Takeover	452.8	333.3	119.5	0.0	0.0
<b>Total Local Impacts</b>	<b>885.8</b>	<b>536.7</b>	<b>333.6</b>	<b>11.9</b>	<b>3.6</b>

### *Local Government Fiscal Year Impact*

For local government fiscal years ending in 2007, the proposed Executive Budget allocates the total of \$20.7 million in state-wide local assistance. Allocations to municipalities are as follows: Counties \$26.6 million; Other Cities \$11.9 million; towns and villages \$3.6 million; and a \$21.4 million decrease to New York City.

- New York City (CFY 2006-07) impacts are as follows:
  - An increase in the State's charge for administering New York City's personal income tax. This would result in a \$7.5 million negative impact;
  - An increase in Transportation Aid would provide \$5.4 million;
  - A decrease of \$20 million in Municipal Aid due to the restructuring of the Video Lottery Terminal Program;
  - A \$1.1 million decrease in Welfare; and
  - An increase in Mandate Relief in the amount of \$1.8 million.
- For counties in the 2007 fiscal year, significant impacts are as follows:
  - \$21.8 million generated from the enforcement of Indian cigarette tax collections;
  - Generate \$8.2 million from Downstate Transportation Operating Assistance;
  - Generate \$2.8 million from TANF allocations; and
  - Negative impact of \$10 million from Office of Children and Family Service rate change.

- Towns and villages will see a 2007 positive impact of \$2.9 million from additional funding for justice courts.