

**TESTIMONY TO THE JOINT LEGISLATIVE COMMITTEE ON LOCAL GOVERNMENTS REGARDING THE
EXECUTIVE BUDGET – PPGG PART AA**

February 10, 2021

Chairman Gaughran, Chairman Thiele, and members of the committee:

Thank you for the opportunity to provide testimony during these challenging times for our economy and the state's municipal budgets.

Due to the COVID-19 pandemic, New York's local governments are facing massive pressure on both sides of the ledger. Municipalities are struggling with shortfalls from sales taxes, coupled with significant increases in local health and safety expenditures to manage the pandemic, and thankfully, the vaccine.

Despite the pandemic, or perhaps compounded by it, state and local governments still face significant costs due to litigation. Local governments are seen as an easy, deep-pocketed target for lawsuits. The problem is particularly pronounced in New York. According to a report in *Governing* magazine, the City of New York spends more on lawsuits than the next nineteen largest U.S. cities combined; more than the City spends on parks, libraries, and aging combined.

These outsized legal costs are compounded by the state's current interest rate on court judgments. The state imposes a flat nine percent interest rate, far above the current market rate, which has stayed below three percent for the last five years. The current executive budget proposes potential relief by connecting the interest rate on judgments to the current market rate, the same way interest is calculated in federal courts.

This proposal would provide critical relief to local governments while modernizing our court system. It also would allow our municipalities to utilize the appeals process without the looming costs of paying the unnecessarily high flat nine percent interest rate.

The pandemic has forced local governments to take a hard look at their finances. Many of the expenditures, including legal costs, are mandates they cannot fix themselves. This budget proposal would not only provide critical relief to local governments, it would also make our legal system more modern and flexible for all New Yorkers.

We urge you to support this proposal. Thank you for your consideration.

Sincerely,

Tom Stebbins

Executive Director
Lawsuit Reform Alliance of New York