



New York State Conference of Mayors and Municipal Officials

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The 2023-24 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. Liz Krueger, Chair

Assembly Ways and Means Committee
Hon. Helene E. Weinstein, Chair

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Hearing Room B
Legislative Office Building
Albany, New York

Thank you for affording NYCOM the opportunity to express the views of our 580 member cities and villages regarding the 2023-24 Executive Budget. The State Budget, and the State Legislature's contributions to its ultimate form, play an integral role in determining the capacity and ultimate effectiveness of local leaders in providing the services and quality-of-life that will ensure our residents stay in New York.

First, it is important to take a look back at the municipal funding decisions made by you and the Governor when enacting the current year State Budget. In addition to continuing the levels of investments in various highway aid programs, the budget doubled the BRIDGE-NY appropriation from \$100 million to \$200 million and also created a new \$100 million Pave Our Potholes (POP) program. Also, the dormant Restore New York program was restarted with \$250 million over two years to assist municipalities with the elimination and redevelopment of blighted structures, and a new \$100 million New York Forward was established to supplement the Downtown Revitalization Initiative in a way that reaches smaller and more rural local governments. These increased investments were all NYCOM legislative priorities and we appreciate the support shown by the Governor, Senate and Assembly in making that happen.

Unfortunately, and unlike the current year's budget, the Governor has proposed a largely status quo Executive Budget in terms of its outlays for your municipal partners. This is very disappointing, particularly in the context of a budget proposal that includes \$7 billion in additional spending. As you review the Governor's spending plan, we ask that you support inclusion of the following funding initiatives that would go a long way toward assisting every municipality in their daily efforts to make their community an attractive place in which to live and work.

Municipal Operational Aid

The Governor has stated that her budget proposal is guided by the twin goals of affordability and public safety. NYCOM contends, and I suspect you would agree, that New York's local governments, as the frontlines of controlling property tax affordability and ensuring public safety – such as police, fire, code enforcement, roads and drinking water services – are integral to achieving those goals. AIM funding from the State was established as a financial recognition of this essential role played by municipalities, yet it

remains flat once again in the Executive Budget and has not increased in fourteen years. This neglect from the state government has led to rising municipal tax burdens and a harmful disinvestment in essential municipal services and staff. Just as annual increases in school aid help school districts control school taxes and provide educational essential services, municipal governments need and deserve annual increases in state aid to ensure the quality-of-life of the communities in which our children and grandchildren develop into adults.

If the State truly wants to ensure affordability and public safety for all New Yorkers, now is the time for the State to establish a new program of aid for all cities, villages and towns. While the infrastructure funding provided by the State is critically important to local capital programs, it does not help local leaders minimize their reliance on the property tax to support municipal public safety-related programs. In this regard and in addition to existing levels of AIM funding, NYCOM supports the creation of a new \$100 million Municipal Operational Aid program allocated on a per capita basis for every city, village and town as a means of supporting affordability and public safety at the local level.

New York Housing Compact

NYCOM members share the Governor's desire for a transformative increase in housing availability across New York, and we support the funding and tax incentives included in the Housing Compact proposal. However, we strongly oppose the aspects of the plan that would allow for the State to make decisions about land use in your communities and your neighborhoods, either via mandatory and arbitrary housing growth targets or mandatory rezoning in large areas surrounding MTA rail stations. Land use decisions have always been, and must always remain, a LOCAL decision. There is nothing more local and democratic than each community in New York making its own decisions – informed by local conditions, including demand, supply, infrastructure capacity, pre-existing growth and residents' opinions – about the planning and zoning policies impacting the future of their community. Local officials do not make land use decisions in a vacuum and should not be subject to a state mandate hanging over their heads if they are not able to meet an arbitrary growth target over which they do not have full control. It is important to note that in conferring with state municipal

leagues with the six states cited in the Executive Budget briefing book as having passed similar state-intrusive legislation, we have found none that has clear evidence of their laws increasing housing production or housing affordability.

While we strongly oppose any form of state preemption of local land use decision-making, we believe there is much that can be done to assist local governments in being partners in the pursuit of the Governor's and our mayors' housing goals. While local governments alone can't solve the housing challenges facing New York, there are city and village leaders in all regions of New York who are already doing their part -- and want to do much more. Any housing plan adopted by New York State should recognize this and be structured in a way to tap into the large number of "communities of the willing" to lead the charge, rather than imposing an arbitrary target on every single municipality that may sound "achievable" on paper but in the real world is not. A confrontational, top-down approach on something as fundamentally "local" as land use will breed the resistance, confusion and litigation that will only inhibit -- rather than propel -- the necessary levels of growth in housing units in New York.

The state-level tools for willing local communities must begin with significant financial assistance from the State -- infrastructure funding and planning grants, as proposed by the Governor, but at much higher appropriation levels. Also, rather than overriding local zoning, the State should allow for a more streamlined zoning approval process at the local level. In effect, allowing local governments -- not the State -- to override their own local zoning when it comes to affordable housing. We also support the Governor's optional property tax exemption incentive proposals, but feel they should allow for an enhanced exemption for affordable housing.

Formulaic Aid for Municipal Water and Sewer Systems

Arguably the most successful -- and popular -- state aid program for municipalities is the CHIPS highway aid program. The reasons for its success are simple: (1) CHIPS is tied to an understandable and logical formula (local road and lane miles in a municipality), (2) local officials have been able to rely on the CHIPS appropriation being in each successive state budget, and (3) CHIPS allows for a carryover of a year's allotment so that municipalities can aggregate their funding for use in conjunction with their road reconstruction plan. Yet a growing frustration at the local level is that the value of CHIPS aid is being diminished by the fact that local governments often do not,

on their own, have the fiscal wherewithal to coordinate their road work with the water and sewer work beneath the road that is best done concurrently.

Since 2017-18, the State has provided \$4.5 billion in grant money through a variety of programs that are part of the Clean Water Infrastructure Act, some of which help certain cities, villages and other municipal governments address water emergencies, fund infrastructure projects, facilitate source water protection, and investigate and mitigate water contamination. NYCOM supports this program and the Governor's inclusion of another \$500 million for this purpose in her Executive Budget. But while this has been a significant investment of resources by the State, it has been phased-in over multiple years and local officials have found that this funding is not readily available for upgrades or preventive maintenance. Rather, applicants need to demonstrate an emergency situation and not simply the need to prevent an emergency. Furthermore, the additional testing and remediation costs associated with the EPA's Lead and Copper Rule will result in an increasing need for water system resources.

NYCOM, therefore, supports establishing an annual funding stream that could be used by all cities and villages to supplement both their water and sewer infrastructure preventive maintenance costs, as well as the undertaking of capital projects necessary for the safe and effective operation of their systems. This program should be formula-driven, similar to the CHIPS program, where every municipality would receive an allocation based on the amount of water and sewer pipelines owned and maintained by the municipality. This would help local governments manage and invest in the replacement and rehabilitation of existing municipally owned and funded drinking water, storm water, and sanitary sewer systems, helping to prevent more significant and costly emergency situations and repairs. It would also facilitate scheduled capital improvements that would allow for coordination with local road reconstruction projects, saving municipalities both time and money.

Increased Funding for Local Roads and Bridges

The CHIPS Program, which was increased for the first time in eight years in the SFY 2021-22 State Budget, assists local governments with the cost of construction, reconstruction and improvement of local highways, bridges and highway-railroad crossings. Additional pots of state money have also been created for the construction and resurfacing of roadways but these resources are not necessarily recurring as they

have not been added to the CHIPS base appropriation. In addition, local governments are continuing to incur additional costs as a result of the federal ADA requirements to provide curb ramps whenever streets, roads or highways are altered to ensure access to sidewalks or other pedestrian walkways. These required modifications disproportionately impact the more densely populated municipalities — such as cities and villages — that have sidewalks and crosswalks throughout their communities, especially in their downtowns. In fact, some local governments have indicated that the added expense associated with this requirement consumes almost all of their CHIPS allocation. Therefore, despite the recent increases in state transportation funding for local governments, annual local highway infrastructure needs continue to far outpace the amount of resources currently available. Consequently, the State must continue to provide more local transportation funding, especially in light of the increasing costs of materials and labor that localities are currently facing. The CHIPS formula should also be amended to include a density factor to account for the additional expenses necessary to provide for safer streets and to help communities prioritize walkability and multi-modality.

In addition to statewide highway funding, there are currently 37 cities that have arterial maintenance agreements with the State. Pursuant to these agreements, the cities maintain certain designated state-owned arterial highways and the State compensates those cities for this service. The reimbursement rate of \$.85 per square yard paid to cities for maintenance of state arterial highways has not been increased since 1987. A proposed inflationary adjustment to \$2.24 per square yard would provide a much-needed increase for the 37 cities participating in this state-local shared services program, and would represent an additional state expenditure of approximately \$17.3 million. As cities, along with other local governments, are being forced to do more with less — both in terms of resources and personnel — some may need to walk away from these arterial maintenance agreements without increased reimbursement levels. If the State had to maintain these highways, the fiscal exposure would far exceed the reimbursements that would be paid under this proposal. While many of these cities are receiving assistance through the newly established Touring Routes program, those resources cannot be used to offset the costs associated with maintaining these state arterials

Local Economic Development

NYCOM applauds the Governor for advancing the New York Forward program – and the Legislature concurring – as a supplement to the Downtown Revitalization Initiative in the current budget and for funding it once again in this year’s Executive Budget. This tangible sign of belief in our smaller, more rural downtowns is a very positive and appreciated step in the right direction. The restoration of the Restore New York program is a municipal highlight in the current year budget and many of our members have engaged in the two rounds of funding applications. We urge the Governor and the Legislature to ensure that this program continues on an ongoing basis.

Increase in Mobility Tax Rate

NYCOM opposes the Executive Budget proposal to increase the top tier of the existing mobility tax rate in the MTA region from 34 cents for every \$100 in salaries and wages to 50 cents per \$100. This tax increase applies to certain employers – including local governments – in the 12-county MTA region that have payroll expenses that exceed \$312,500 in any calendar quarter and runs contrary to the desire of state and local officials to be sensitive to the affordability of living in New York. We urge the Legislature to find alternative and more equitable means of shoring up the MTA’s finances.

Municipal Employee Recruitment and Retention

Cities and villages, like other local governments and school districts, are struggling to identify and retain quality employees. As a result, they are constantly looking for innovative ways to effectively manage their workforce. Unfortunately, in many instances, they are restricted by arcane civil service rules that restrict who they can hire and how they can hire. Furthermore, the irregularity of civil service exam schedules reduces the number of potential candidates. Consequently, NYCOM was very pleased to see the Governor included a proposal that would provide for the expanded use of continuous recruitment examinations. Under this proposal, not only would candidates not have to wait for an exam to be offered, but the exams can be scored immediately

and conducted online. This proposal, which is part of NYCOM's 2023 Legislative Program, would help municipalities in the hiring of positions - particularly those where there is often a limited supply of qualified candidates. To further expand the pool of potential municipal employees, NYCOM also urges the Legislature to include retired municipal employees in the Executive Budget proposal to extend the waiver in the post-retirement \$35,000 income cap for retired teachers.

Conclusion

Cities and villages are doing all that they can to control spending while maintaining essential services, but the fiscal path they are on – with insufficient State support – is unsustainable. The tax cap – even when it has been well-below 2% or well below actual inflation, as it is now, has been largely complied with by our members, while state aid has sharply declined in real dollars, and mandate relief has been illusive. New York's local governments need the funding, the tools and a genuine commitment from the State to help break down the barriers to efficiency and community revitalization. We urge you to be partners in reversing these trends and making our cities and villages and State strong again. NYCOM stands ready to assist you in that critically important effort.