February 11, 2026

Public Hearing on the 2026-2027 Executive Budget

before the

THE NEW YORK STATE SENATE FINANCE COMMITTEE AND

ASSEMBLY WAYS & MEANS COMMITTEE

Comments Submitted by the New York Association of Towns

Testimony Delivered by Executive Director, Christopher Koetzle

NYAOT and New York's Towns

Founded in 1933, the New York State Association of Towns (NYAOT) is a nonpartisan membership organization dedicated to training, educating, and advocating on behalf of the 932 towns across New York State. While the responsibilities and regulatory landscape facing local governments have evolved significantly over the decades, NYAOT's core mission remains constant: to strengthen town government and support the officials who deliver essential services to their communities.

NYAOT provides comprehensive professional development and technical assistance to town officials at every level of government. This includes annual and regional conferences offering in-depth training on legal, fiscal, and operational issues; webinars and educational programming addressing emerging municipal challenges; publications and guidance materials designed to support statutory compliance and best practices; and responsive technical assistance to town leaders navigating complex legal and administrative matters.

In addition, NYAOT engages directly with town officials across the state to understand emerging challenges and inform our legislative advocacy. This direct engagement ensures that our policy positions reflect the operational realities facing towns in real time.

Partnering with New York State

NYAOT urges the Legislature to view the Association as a resource and partner. Our staff works daily with town supervisors, board members, clerks, highway superintendents, and attorneys. We understand the statutory framework governing towns and the operational implications of state policy decisions. We stand ready to provide technical insight and implementation feedback on proposals affecting local government.

Fiscal Context: Structural Constraints on Town Government

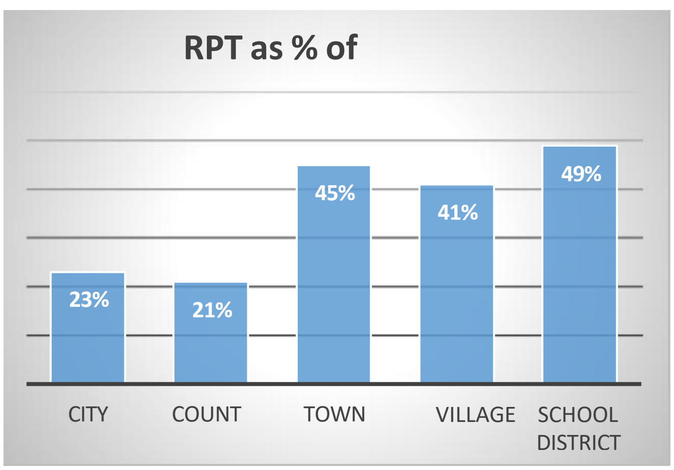
Before addressing the specifics of the Executive Budget, it is important to understand the structural fiscal framework that towns operate within. Town governments function under a materially different revenue structure than other local governments in New York. That structure directly shapes how towns absorb cost increases, implement state initiatives, and manage long-term obligations. Without this context, it is difficult to fully evaluate how state budget decisions affect town governments.

NYAOT reviewed revenue data from the Office of the State Comptroller's Annual Financial Reports from 2013 through 2023. The data demonstrate a consistent pattern: towns operate with the narrowest and least diversified revenue base of any general-purpose local government in the state.

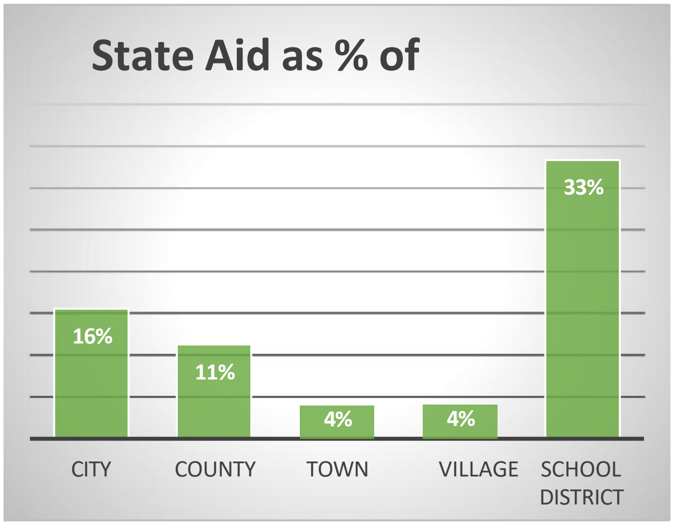
Property Tax Dependence

Towns are the most property-tax-dependent general-purpose local governments in New York. Property taxes account for approximately 45 percent of total town revenues, averaging roughly $4.3 billion annually. Nearly half of a town's operating capacity is therefore tied directly to the local property tax levy, which itself is constrained by the state property tax cap.

When costs rise—whether due to inflation, labor pressures, insurance increases, infrastructure deterioration, or expanding compliance requirements—towns do not have access to a broad array of alternative revenue tools. The property tax remains the primary financing mechanism available. This structural reliance limits fiscal flexibility and places significant pressure on local budgets



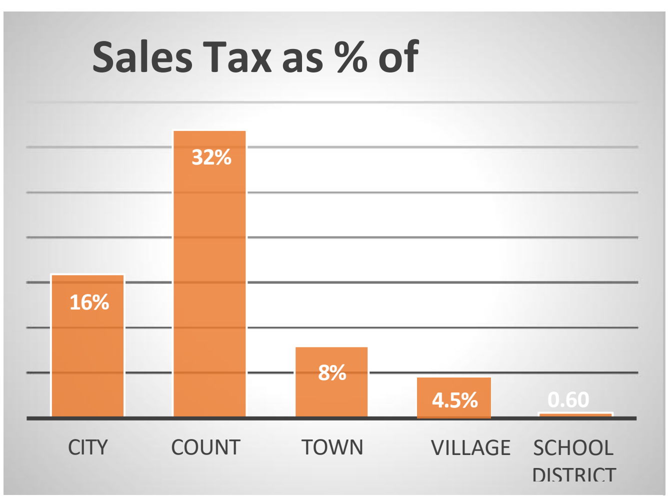
Limited State Aid Relative to Responsibilities



State aid represents only about 4 percent of total town revenues, averaging roughly $380 million annually statewide. While towns are grateful for the assistance they receive, the relative scale is modest when compared to both town responsibilities and the aid provided to other local governments.

Towns provide highways, public safety coordination, land use regulation, code enforcement, water and sewer services in many communities, and increasingly complex environmental compliance functions. Yet state aid constitutes a small fraction of total revenue. Thus, even modest increases in aid can have a meaningful stabilizing effect on town budgets.

Sales Tax Authority and Fiscal Autonomy

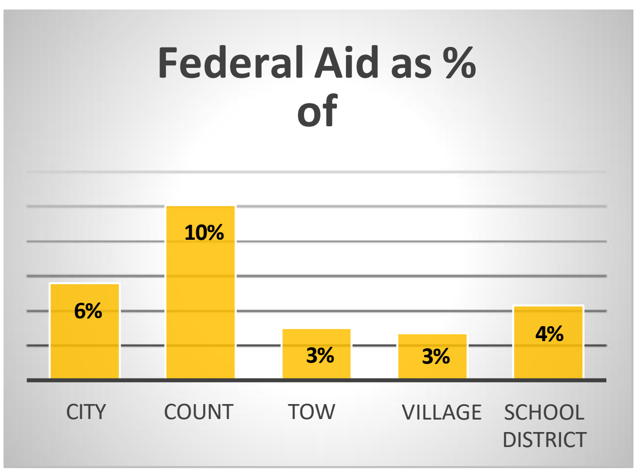


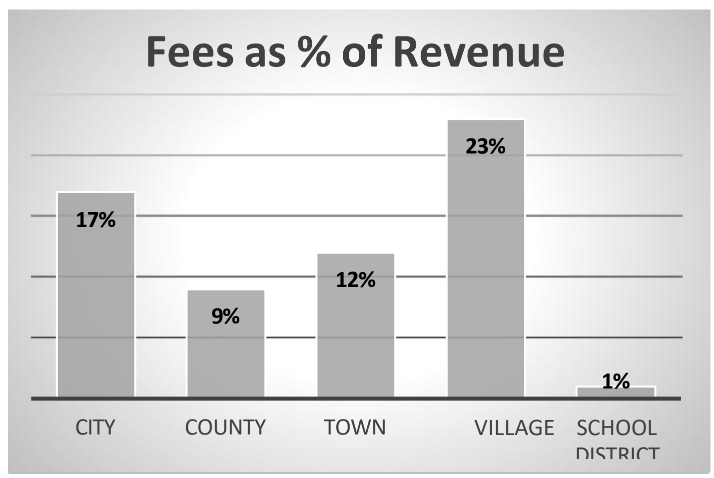
Sales tax further illustrates the structural asymmetry between towns and other local governments. Towns do not possess independent authority to impose a sales tax. Any sales tax revenue they receive is derived from county sharing agreements. In some counties those arrangements are stable and collaborative, but in others, distributions are limited or nonexistent. In all cases, towns do not control the structure, rate, or allocation formula. Sales tax is one of the most dynamic and responsive revenue tools available to local governments. The absence of direct access to that tool limits towns' ability to respond to economic fluctuations and constrains fiscal autonomy in ways not experienced by other local entities.

Federal Aid and Fees: Important but Limited

Federal aid accounts for approximately 3 percent of town revenues. Fees represent roughly 12 percent. These sources are important, but neither provides systemic fiscal capacity.

Fee revenue is tied to specific services, permits, inspections, recreation programs, planning reviews, and cannot be broadly adjusted to absorb generalized cost growth across highways, public works, compliance obligations, and general administration. Federal aid, while valuable, is episodic and program-specific. Neither source meaningfully offsets structural revenue constraints.





The Limitations of Grant-Based Funding for Towns

In addition to revenue composition, the structure of state support matters. Outside of AIM and CHIPS, most state funding available to towns is distributed through competitive grant programs. NYAOT values these programs, and they fund important projects. However, competitive grants are episodic, variable, and inherently selective.

An analysis of Consolidated Funding Application (CFA) rounds from 2019 through 2024 illustrates this volatility. As outlined in the charts below, total awards fluctuated significantly, from approximately $420 million in 2019, to roughly $254 million in 2022, before rising to approximately $510 million in 2024. The number of awards similarly declined from 997 in 2019 to 429 in 2022 before partially rebounding.

Equally significant is towns' share of those awards. In 2022, towns received only 3 percent of total CFA awards. In 2023, the share was 5 percent. While 2024 reflected improvement, the broader trend demonstrates that competitive grant systems produce uneven and unpredictable outcomes.

Finally, competitive grants also frequently require upfront engineering studies, planning reports, and consultant expenditures simply to qualify. For towns with limited administrative capacity, these prerequisites can create structural barriers to participation. Grants serve a purpose, but they do not provide a stable foundation for essential municipal services.

Table 1: Round 09 (2019) CFA	Award	Share	Count	Average Award
Cities	$63,848,219	15%	99	$644,932
Counties	$12,227,421	3%	81	$150,956
Other	$240,911,330	57%	548	$439,619
Towns	$61,284,350	15%	136	$450,620
Villages	$41,249,095	10%	133	$310,144
Total	$419,520,415	100%	997	$420,783

Table 2: Round 11 (2021) CFA	Award	Share	Count	Average Award
Cities	$79,198,359	12%	83	$954,197
Counties	$71,636,045	11%	94	$762,086
Other	$268,152,998	42%	403	$665,392
Towns	$123,693,535	19%	189	$654,463
Villages	$95,970,400	15%	143	$671,122

Total	$638,651,337	100%	912	$700,276

Table 3: Round 12 CFA (2022)	Award	Share	Count	Average Award
Cities	$20,532,076	8%	37	$554,921
Counties	$3,348,922	1%	6	$558,154
Other	$209,150,503	82%	328	$637,654
Towns	$7,269,702	3%	26	$279,604
Villages	$14,074,041	6%	32	$439,814
Total	$254,375,244	100%	429	$592,949

Table 4: Round 13 CFA (2023)	Award	Share	Count	Average Award
Cities	$12,854,785	6%	37	$347,427
Counties	$5,889,050	3%	18	$327,169
Other	$189,718,667	82%	421	$450,638
Towns	$11,332,473	5%	44	$257,556
Villages	$12,487,290	5%	48	$260,152
Total	$232,282,265	100%	568	$408,948

Table 5: Round 14 CFA (2024)	Award	Share	Count	Average Award
Cities	$89,559,199	18%	84	$1,066,181
Counties	$33,428,508	7%	59	$566,585
Other	$183,743,579	36%	280	$656,227
Towns	$120,001,312	23%	143	$839,170
Villages	$84,010,743	16%	86	$976,869
Total	$510,743,341	100%	652	$783,349

Why This Context Matters

Towns are responsible for highways, public safety coordination, water and sewer systems in many communities, land use regulation, code enforcement, and a growing list of environmental and administrative requirements. Towns carry these responsibilities within a fiscal framework that is:

- heavily dependent on property taxes
- lightly supported by state aid relative to other local governments
- largely excluded from other sources of revenue,
- supplemented primarily through competitive grants that creates winners and losers.

This structural reality forms the backdrop against which towns evaluate the Executive Budget.

NYAOT's Response to the Executive Budget

Aid and Incentives to Municipalities (AIM) and Temporary Municipal Assistance (TMA)

NYAOT's Request: Make the Temporary Municipal Assistance (TMA) program permanent and increase general purpose revenue funding $50 million and index it to inflation

General-purpose revenue sharing remains one of the most important and reliable forms of state support for towns. Unlike competitive grants, AIM and TMA provide flexible, unrestricted funding that towns can incorporate into their annual budget planning process with certainty. NYAOT appreciates that the Executive Budget maintains AIM at $715 million statewide and continues TMA funding for a third year. Originally created in 2023 as a two-year supplemental program, TMA provided fiscal relief for local governments. Its continuation reflects a recognition that those financial pressures have not subsided.

However, the underlying AIM base has remained frozen at $715 million for approximately fifteen years. During that same period:

- Inflation has significantly eroded purchasing power by more than a third (36.6%);
- The annual amount of AIM that towns lost to inflation topped $300 thousand in 2025;
- Had AIM kept pace with inflation it would total $1.02 billion;

- The cost of core municipal services, public safety, highway maintenance, snow and ice removal, water and sewer operations, code enforcement, insurance, equipment, and labor, has risen dramatically.
- Compliance and reporting requirements have expanded.

When funding remains flat for more than a decade, it is not neutral. It is, in practical terms, a reduction in real value. Every year AIM is not adjusted to reflect actual cost growth, towns are required to absorb more expense with the same level of state support. Since 2011, towns have effectively lost an estimated $2.4 billion in AIM value due solely to inflation. Because of flat funding and significant increases in costs, towns have been forced to bridge widening gaps through difficult choices such as deferring capital maintenance, reducing staffing levels, delaying infrastructure investment, or increasing pressure on property taxpayers.

In addition to overall funding levels, there are longstanding inequities within the AIM distribution formula itself. Under the current structure, smaller cities often receive disproportionately higher levels of aid than larger towns, even where those towns serve comparable populations and provide similar service levels. While reform of the formula is a complex undertaking, it underscores that the program has not kept pace with the evolving role of towns in New York's municipal landscape.

Investing in AIM is not simply municipal aid, it is an investment in statewide stability. Towns support housing growth, economic development corridors, local road networks, environmental compliance, and public safety infrastructure. When towns are financially stable, they are better partners to the state, able to implement new initiatives, respond to emergencies, and meet evolving policy goals. As such, NYAOT respectfully urges the Legislature to make TMA permanent and to take meaningful steps toward increasing and indexing AIM funding so that general-purpose aid reflects actual cost growth rather than remaining fixed in nominal terms.

Transportation Funding

NYAOT's Request: Increase CHIPS base funding

Local governments own 85 percent of all roads in New York State, and towns alone maintain 62.9 percent of all centerline miles, more than any other level of government. Therefore, it comes as no surprise that highway funding remains the single largest expenditure category for towns and continues to rise. According to 2024 data:

- Towns spent more than $1.4 billion on transportation-related expenses;
- Approximately 1 out of every 5 dollars in a town budget goes toward roads, bridges, highway barns, equipment fleets, salt and sand, asphalt, and concrete.

Like AIM, CHIPS functions as a true partnership with the state and provides reliable funding. The predictable, formula-based funding allows towns to plan resurfacing cycles, coordinate capital improvements, and manage infrastructure assets strategically. That stability is essential. The cost of asphalt, diesel fuel, heavy equipment, insurance, and labor has risen substantially in recent years. When CHIPS funding does not keep pace with these cost increases, the difference must be absorbed locally.

Local roads are not just a matter of local concern, they are a statewide economic and safety issue. When road maintenance is delayed:

- Every $1 deferred results in $4 to $5 in future reconstruction costs.
- Motorists statewide lose up to $8.9 billion annually due to deteriorating roads, congestion, and safety deficiencies (TRIP National Transportation Research Group, January 2025).

Deferred maintenance is not a savings strategy; it is a cost multiplier.

Unlike competitive or episodic programs, CHIPS allows towns to plan resurfacing cycles, coordinate projects, and manage capital assets strategically. That type of long-term capital planning is consistently encouraged by the Office of the State Comptroller, but it is only possible when funding is reliable. Investing now will improve safety, reduce long-term reconstruction costs, and protect property taxpayers from the far greater expense of deferred maintenance.

NYAOT urges the Legislature to increase base CHIPS funding so that it reflects current construction costs and protects local taxpayers from the far greater expense of deferred maintenance. Investing in local roads is an investment in statewide economic stability, public safety, and long-term cost control.

Water and Sewer Infrastructure Funding

NYAOT's Request: Use $100 million of the additional $250 million included in the Executive Budget to fund a dedicated, formula based aid for water and sewer infrastructure.

The Executive Budget proposes a substantial and welcome commitment to drinking water and wastewater infrastructure - $3.75 billion over five years, or $750 million annually. Of that amount, $500 million would fund clean water infrastructure grants, and an additional $250 million would support housing-related water infrastructure projects, including $50 million dedicated to rural communities. NYAOT strongly supports this investment and appreciates the recognition that water infrastructure is foundational to public health, housing production, economic development, and environmental protection.

However, how this funding is structured is just as important as the total amount appropriated. We respectfully urge the Legislature to allocate $100 million of the additional $250 million to establish a dedicated, formula-based funding program for municipal water and sewer infrastructure modeled after the CHIPS program. Towns need predictable, recurring funding that can be incorporated into long-term capital plans, rather than relying solely on competitive grant rounds.

Towns directly provide drinking water to approximately 1.2 million New Yorkers and in 2024 alone spent roughly $1.04 billion on water, sewer, and stormwater services. Systems built decades ago are reaching the end of their useful life, and estimated costs of repair are in the billions. Meanwhile regulatory requirements are becoming more complex and more expensive. DEC mapping identifies dozens of confirmed PFOA contamination sites and hundreds of additional presumptive sites statewide. Public water systems are increasingly required to test for, plan around, and remediate contaminants that were not contemplated when these systems were constructed. These mandates carry significant capital costs that exceed the fiscal capacity of many town water districts without sustained state partnership.

Current State Funding for Water and Sewer

Currently, competitive grants are effectively the only state support available for water infrastructure. While important, grants are not meeting the scale of the need. Application based funding has become the primary mechanism for assistance; however, as demonstrated in CFA data from recent years access to competitive funding is variable and uneven. It is worth mentioning again that in 2022, only 3 percent of towns received funding through the CFA process, leaving the vast majority of towns without support regardless of documented deficiencies or compliance risk.

The Town of Boston: A Case Study

The experience of the Town of Boston in Erie County illustrates the shortcoming in solely relying on the grant system. Fourteen critical drinking water capital projects were identified by the local water authority, many of which address deficiencies that were first flagged between eight and seventeen years ago. These issues were not the result of neglect, it was simply the result of systems that age faster than available funding streams can support. Since 2019, the Town of Boston spent more than $100,000 on grant writers in an effort to access state funding to address these issues. The town has submitted six CFA applications and has received zero awards. That is not an efficient or sustainable way to finance essential public health infrastructure, and it is not unique to Boston.

A formula-based program would complement existing grants by providing a reliable baseline of funding. It would allow towns to plan multi-year investments strategically, bundle projects to reduce construction costs, address deficiencies before they become emergencies, and stabilize user rates for residents. Most importantly, it would align water infrastructure funding with the state's broader policy goals. Water and sewer capacity determines whether housing can proceed, whether businesses can expand, and whether communities can meet state and federal environmental standards.

NYAOT respectfully urges the Legislature to dedicate $100 million of the additional water infrastructure funding to a predictable, formula-based program that strengthens local capacity and ensures long-term partnership between the state and its towns.

Other Funding

NYAOT supports the continued funding of critical community investment programs, including the Downtown Revitalization Initiative (DRI), NY Forward, Environmental Facilities Corporation (EFC) water infrastructure programs, Pro-Housing Community Funding, and NYBRICKS. These initiatives provide essential capital support for economic development, water quality improvement, and community facilities, and they play an important role in helping towns undertake projects that would otherwise be financially out of reach.

Article VII Legislation

Changes to the State Quality Environmental Review Act (SEQRA) (TED Part R)

NYAOT appreciates the governor's effort to modernize the SEQRA with this Executive Budget in the Let Them Build proposal. As the Legislature considers this, one of NYAOT's main objectives will be to work as an enthusiastic partner with the state to ensure that any changes to SEQRA are clear and sensible for our members and local governments. Above all else, we believe any enacted reforms should continue to allow for a well-rounded environmental review process that protects both communities and local governments

1. The proposed definition of "previously disturbed site".

As drafted, the definition contains no limitations, proportionality, or and standards for determining when a site has been "substantially altered." Without those guardrails, relatively minor historic features, such as an abandoned structure, a former driveway, or limited prior grading, could qualify largely undeveloped parcels for categorical exemption. This is particularly important as several of the proposed exemptions from SEQRA in the Executive Budget proposal that are contingent on being on "previously disturbed sites." NYAOT understands there may not be an exact standard applicable to all proprieties; however, when the impact of the definition is so significant having clearer statutory thresholds would help towns make defensible determinations and avoid unnecessary and expensive litigation. When definitions are vague, the legal risk does not disappear, it simply shifts to the municipality responsible for interpreting and applying the law.

2. Explicitly maintain town authority to allow review pursuant to other authority

NYAOT deeply appreciates the Governor's respect for local laws zoning in this proposal; however, given the expansion of projects exempted from SEQRA we simply ask that language be included to explicitly uphold other review authority municipalities have. Under existing law, most actions exempt from SEQRA involve projects that have already undergone some level of review or fall into categories historically understood to have minimal environmental impact. The proposed amendments broaden those exemptions in a way that, when combined with the expansive "previously disturbed site" definition, could allow certain projects to proceed without meaningful environmental review at any level. In towns that do not maintain separate site plan review processes, SEQRA functions as the primary mechanism for evaluating traffic impacts, drainage, emergency access, and neighborhood compatibility. Eliminating that review does not eliminate those impacts. It simply removes the structured process for analyzing them and the administrative record that supports defensible local decisions. Towns need to be reassured that they are not precluded from doing their own review.

3. Timeframe clarifications

Under the proposed EIS shot clocks raise, as drafted, it is unclear whether a lead agency may unilaterally extend applicable deadlines when warranted. The language requires extensions to occur "in consultation with the applicant," but does not clarify whether that consultation requires applicant consent. Clarifying language should make explicit that consultation does not equate to approval, and that the lead agency retains authority to extend timelines as necessary to ensure a legally sufficient environmental review. Additionally, as the Legislature considers this proposal, NYAOT would not support any amendment where failure to meet those deadlines would result in a default negative declaration. Environmental review determinations must be based on the substantive record, not the passage of time. Any statutory deadlines must preserve the lead agency's discretion and ensure that incomplete review cannot be converted into a deemed finding of no significant adverse impact.

Towns welcome making the SEQRA process more efficient. We ask for a few amendments to maintain clarity, balance, and the fundamental purpose of SEQRA: informed, site-specific decision-making.

NYAOT Supports:

- **Enhanced Transportation Worker Protections (TED Part F)**
  NYAOT supports efforts to strengthen legal protections for highway workers, including town highway department employees, who perform essential public safety functions under hazardous conditions. Expanding assault protections and establishing clearer penalties for dangerous conduct in active work zones will help deter reckless behavior and reinforce the seriousness of work zone safety.
- **Increasing Flexibility for the Municipal ZEV Grant Program (TED Part S)**
  NYAOT supports providing greater administrative flexibility within the Municipal Zero Emission Vehicle (ZEV) Program to better align rebate structures with actual project costs and evolving municipal needs. Allowing DEC and NYSERDA to adjust rebate caps administratively will help ensure the program remains responsive, effective, and capable of supporting larger-scale infrastructure investments.
- **Increasing Land Banks (ELFA Part N)**
  NYAOT supports increasing the statewide cap on authorized land banks to expand access to this important redevelopment tool. Land banks play a critical role in addressing vacant and abandoned properties, stabilizing neighborhoods, and returning distressed parcels to productive use, particularly in communities facing long-term disinvestment.
- **Impose Market-Based Interest Rate on Court Judgments (PPGG Part DD)**
  NYAOT supports modernizing the statutory interest rate on court judgments

to better reflect prevailing market conditions. Aligning the interest rate with economic realities promotes fiscal fairness, reduces unnecessary financial strain on local governments, and ensures that statutory policy reflects current financial environments rather than outdated assumptions.

Proposed Budget Additions

Increase the retiree earnings salary cap for local government officials.

Including an increase to the Retirement and Social Security Law § 212 retiree earnings cap in the budget would provide immediate workforce relief to towns while helping control property taxes. Many towns rely on retired public employees to deliver essential services in a cost-effective manner, yet the current $35,000 cap has not kept pace with inflation and has only been adjusted twice in nearly two decades. Notably, the state waived the retiree earnings cap for school districts during COVID-19 and extended that flexibility in last year's enacted budget, recognizing the practical workforce needs of public employers. Extending similar relief to local governments, such as raising the cap to $50,000, consistent with legislation introduced last year, would reflect economic realities, promote parity among public employers, and allow towns to retain experienced personnel without increasing long-term payroll obligations or property tax burdens.

Increase competitive bidding thresholds and extend piggybacking authority

The Executive Budget proposes increasing competitive bidding thresholds for state agencies and extending the State's authority to piggyback on certain contracts, but it does not include similar relief for local governments. Towns rely heavily on the authority under General Municipal Law §103(16) to piggyback on contracts let by other political subdivisions in a manner similar to state rules. This authority promotes efficiency, reduces administrative costs, and allows towns to secure competitive pricing without duplicating procurement processes. It is scheduled to sunset this year and should be extended or made permanent, consistent with the State's continued authority.

Additionally, local competitive bidding thresholds remain unrealistically low: $20,000 for purchase contracts and $35,000 for public works. These amounts have not kept pace with inflation and no longer reflect current construction and material costs. The bidding process itself requires staff time, legal review, publication expenses, and administrative oversight, all of which carry costs. While the Executive Budget recognizes this reality for state agencies by proposing higher thresholds, similar adjustments should be included for local governments to ensure procurement rules reflect present-day market conditions and reduce unnecessary administrative burdens.

Amending cannabis tax distribution

The current cannabis tax distribution structure is not working for counties or municipalities and requires statutory correction. Under existing Cannabis Law, the Department of Tax and Finance (DTF) collects cannabis tax revenue and remits it to the Office of the State Comptroller (OSC), which then distributes funds to counties. Counties must allocate 75 percent of those funds to municipalities within 30 days, retaining 25 percent. However, the distribution formula depends on sales data generated through the Office of Cannabis Management's (OCM) Seed-to-Sale system, creating a structural disconnect between tax collections and sales reporting.

When dispensaries submit late tax payments, counties receive large, lump-sum distributions from OSC without accompanying data identifying which municipalities generated the revenue or the quarter in which the sales occurred. Without synchronized collection and reporting, counties cannot accurately allocate funds based on actual municipal sales activity. As a result, many default to prior-quarter distribution formulas, which can materially under- or over-allocate revenue and undermine confidence in the system.

Legislation should amend the Cannabis Law to consolidate cannabis tax distribution authority within DTF, creating a single-agency model that aligns tax collection, reporting, and distribution functions. Streamlining administration would reduce interagency lag, improve transparency, and ensure timely and accurate payments to counties and municipalities. Any consolidation must be accompanied by sufficient staffing and operational resources to ensure DTF can effectively administer the program. This reform is necessary to provide predictability and fairness to local governments relying on these revenues.