



**New York State Conference of Mayors and Municipal Officials**

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The 2013-2014 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. John DeFrancisco, Chairman

Assembly Ways and Means Committee

Hon. Herman D. Farrell, Jr., Chairman

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Albany, New York

Thank you for affording NYCOM the opportunity to express the views of our 582 member cities and villages regarding the 2013-14 Executive Budget. I am Peter Baynes, Executive Director of the New York State Conference of Mayors.

In my testimony last year I made the point that New York has an unfortunate history of kicking the mandate relief can down the road, and that the responsibility for mandate relief had been left to the Mandate Relief Council, which was authorized in 2011 as part of the legislation creating the property tax cap. I also said that I was hopeful that this entity would be able to “buck the trend” and move beyond “good discussion and the exchange of ideas to produce some real mandate relief that will translate into significant savings for local governments as well as the State.” Unfortunately, due to an extremely narrow definition in the Mandate Relief Council’s statute of what a mandate actually is, the first annual report issued by the Council contained little in the way of recommendations that would generate savings for cities and villages.

### **Stable Pension Contribution Option**

Meanwhile, rising pension and health insurance costs continue to plague municipal budgets with no relief in sight. Since 2010, pension costs have increased by 183% for non-uniformed employees and nearly doubled for public safety employees. New York’s pension cost crisis is the root cause of the many maladies facing every single local government in this state: rising taxes, growing deficits, shrinking workforces, service cutbacks, diminishing fund balances and aging infrastructure. NYCOM commends the Governor and the Legislature for recognizing that there is a pension problem in this state and for beginning to address that problem in the future with the creation of Tier 6. However, it is painfully obvious that we must find a solution that will provide immediate relief – one that facilitates predictability and planning, without increasing local debt or shortchanging the Retirement System of a single penny. The Governor’s Executive Budget includes a new Long-Term Stable Pension Contribution Option that will do just that and which we strongly support. Beginning in state fiscal year 2013-14, local governments would have the option to “lock in” for 25 years to stable predictable rates of 12% of payroll for ERS and 18.5% of payroll for PFRS – essentially the same rates that were in effect for the 2010-11 SFY, prior to the recent spiking of rates. To ensure that the system remains on solid fiscal ground, the State Comptroller will

be given the opportunity to periodically adjust the rates (by up to 2% of payroll) and/or the 25-year term if he believes such action is necessary. This stable rate option will dramatically reduce pension payments in the short-term, saving local governments money now when they need it most. Furthermore, this plan finally allows local governments to get off the pension rate rollercoaster, allowing them to plan, provide essential services, and protect their taxpayers of this and future generations.

### **Binding Arbitration Reform**

The Executive Budget also includes a proposal that would reform the binding arbitration process, a costly mandate which applies to police and fire union contracts in any local government with a paid police or fire department, and which is set to expire in July of this year. The Governor's proposal would limit to 2% the annual increase in the total cost of a police or fire union contract imposed upon those local governments (outside NYC) considered "fiscally distressed." NYCOM has long called for the inclusion of an "ability to pay" limitation on arbitrators' awards, and therefore strongly supports the 2% cap aspect of this proposal. We support this reasonable cap so much that we believe it should apply to all local governments with a paid police or fire department.

Unfortunately, the Governor's proposal excludes New York City, and also defines fiscal distress in such a way – basing it on full value property tax rates and fund balance levels – as to exclude eight cities and approximately 140 villages that are subject to the fiscal vagaries of the binding arbitration process. NYCOM is very appreciative of the Governor's willingness to take on an issue that has made it impossible at times to control the cost of uniformed services. However, all municipalities and property taxpayers should be afforded this protection. We therefore urge the Legislature to expand this proposal to all municipalities, including the City of New York. We also believe that binding arbitration would be greatly improved by shedding some light on the process. At a time when the virtues of open government and transparency are more apparent than ever before, we believe requiring arbitration panels to present their decisions at an open meeting of the legislative body will add a level of transparency and accountability to a process that is currently clouded in mystery and misery for local taxpayers.

## **AIM Funding**

Our local leaders have proven that AIM is a property tax relief program works. The data tells a simple, yet compelling story. In those years when AIM funding was increased, the growth in city property tax levies remained under the cost-of-living. In years when AIM was cut, tax levies increased at levels unaffordable to local taxpayers. Since 2008-09, AIM funding has been reduced by \$50 million – a 7% cut – for cities, villages and towns, and funding for New York City was eliminated. Now that we have entered the tax cap era, municipalities are confronted with a limit on their primary local revenue source, and they still have to contend with the Triborough Amendment, still have rapidly rising health insurance costs, and still have other rising expenses largely beyond a mayor's control. Local governments are making the difficult choices necessary to contend with this environment of fiscal austerity, but they have moved past being lean to being on the verge of fiscal insolvency. In this fiscal pressure cooker, state aid to local governments must be a larger piece of the pie. We urge the Legislature, when rearranging spending priorities in the 2013-14 State Budget, to give first priority to the AIM program and provide a long-overdue increase in this general purpose aid.

## **Workers Compensation Reform**

NYCOM supports the Governor's proposals to increase workers compensation benefits and implement reforms to a system whose deficiencies have stifled economic growth and job creation throughout New York State. The fact that the reforms passed in 2007 have never been fully implemented has resulted in rapidly rising costs – particularly the state taxes and insurance premiums paid by employers. The Executive Budget proposals would simplify the current assessment process, eliminate unnecessary funds, expand the State Insurance Fund's investment opportunities, and add transparency and equity to the system. These reforms combined with the proposed changes to the New York's Unemployment Insurance system – including stabilizing the Trust Fund, removing obligations when employees are terminated or resign, reducing benefits when employees receive severance or pension, and combating fraud – will not only benefit local governments as employers, but also the businesses that are the heart of these local communities.

## **Design-Build Authorization**

The Budget would permit State agencies and authorities to use design-build contracts and design-build-finance contracts for their capital projects. Design-build is a method of project delivery in which a single contract is executed with a single entity or team providing architectural, engineering and construction services. By relying on a single point of responsibility, the design-build model minimizes risks for the project owner, reduces the delivery schedule by consolidating the design phase and construction phase with a single source of contact, and cuts costs by streamlining the construction process. The statement in support of the Governor's proposal reads, "These alternative project delivery methods reduce project costs by shortening delivery time and eliminating duplication of effort." A December 2012 report issued by the State Comptroller highlighted the fact that New York faces a shortfall of up to \$89 billion in funding for water, sewer and transportation infrastructure over the next two decades and this is despite the fact that over the past 10 years, total capital spending by local governments has increased by more than 30%. Yet, rising construction-related costs have eroded the purchasing power of these dollars, reducing the ability of local governments to meet crucial infrastructure needs. NYCOM urges the State Legislature to expand the design-build option to local governments, which would allow municipalities to maximize the public benefit of their infrastructure-related expenditures.

## **CHIPS Funding**

As our members will tell you, and the Comptroller's report confirms, one of the many negatives of a downturn in the economy and the associated reduction in municipal revenues is the deferral of capital projects and repairs. Local governments are responsible for a considerable portion of New York's road, highway and bridge infrastructure, which is why state funding in this area is essential. NYCOM fully supports the Executive Budget's proposal to maintain CHIPS funding at current year levels. However, at a time when improving our local infrastructure is essential to the recovery and revitalization of our communities and our state, the need for additional resources for this purpose is more critical than ever.

## **Traffic Adjudication Amendments**

The Executive Budget includes a proposal that would limit plea bargaining of traffic tickets, extend State surcharges to common plead-down offenses, and establish minimum

finer for traffic violations involving texting and cell phone use. More specifically, in the interest of public safety, the proposal would restrict plea bargaining except in limited circumstances documented by the court. For example, if a person is stopped for exceeding the speed limit by more than 20 mph, a plea of guilty would have to be to at least a point-bearing violation. In addition, the proposal would impose an \$80 surcharge on the parking violations that drivers often plead down from speeding violations.

We have been advised that the primary purpose of this proposal is to increase highway safety by ensuring that persistent speeders will no longer be able to escape monetary and license sanctions by repeatedly pleading to offenses that do not appear on a driving record. NYCOM fully supports any efforts to make our roads and highways safer for our citizens. However, we need to guarantee that these changes will have no negative impact on revenues collected at the local level or the costs associated with the operations of local courts if the number of trials increases as a result of these amendments. Local governments cannot afford even the smallest reduction in any one of their limited non-property tax revenue sources.

## **Conclusion**

NYCOM firmly believes that the unbalanced fiscal equation facing local governments – and harming taxpayers – can only be remedied through significant relief from state mandates and a long overdue increase in municipal aid. Governor Cuomo has once again shown courageous and necessary leadership in the mandate relief arena, by including much needed reforms to two of the largest cost drivers facing cities and villages: pension costs and binding arbitration awards. We urge the Senate and Assembly to embrace the Governor's common sense approach to providing immediate relief from the mandates that drive up local property taxes. Additionally, as the State Legislature reviews the Governor's spending plan, the highest priority should be given to finally providing an increase in AIM funding, which has proven to be New York's most effective property tax relief program.

Again, I thank you for the opportunity to testify at this important hearing. NYCOM looks forward to providing your committees with additional input as the budget making process continues.