58th Annual County Finance School

State Budget Review & Albany Update

NYSAC
NEW YORK STATE
ASSOCIATION OF COUNTIES

NYS ASSN. COUNTY TREASURERS AND FINANCE OFFICERS
ESTABLISHED 1964

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Agenda

- The 2024-25 Budget
- Why It Matters to Counties
- Sales Tax Update
- ARPA Deadlines

State Budget Review

THE START: The projected $20 billion 4-year gap, after SFY 2025 actions proposed by the Governor, is about half of what was projected in July 2023.

The **Adopted Budget** utilizes $500M of more than $20B in current reserves.

Based on the Governor's initial Budget request we expect a GF balance of $44B at the end of SFY 2025, about half of which is unallocated reserves.

Changes in State Finances Since COVID Pandemic	
State Budget Monitoring Point	**Projected 4-year (Deficit)/Surplus**
April 2020 - *SFY 2021 Enacted Budget*	**($69B)**
January 2022 - *SFY 2023 Introduced Budget*	**$38.6B**
July 2023 - *Q1 SFY 2024 Financial Plan*	**($36.4B)***
October 2023 - *Q2 Mid-year Update*	**($21.5B)***
January 2024 - *SFY 2025 Introduced Budget*	**($20.5B)***
March 1, 2024 - Rev. Consensus Forecast ($1.4B)	**($19.1B)***

* Gaps do not reflect the use of any reserves to balance operations

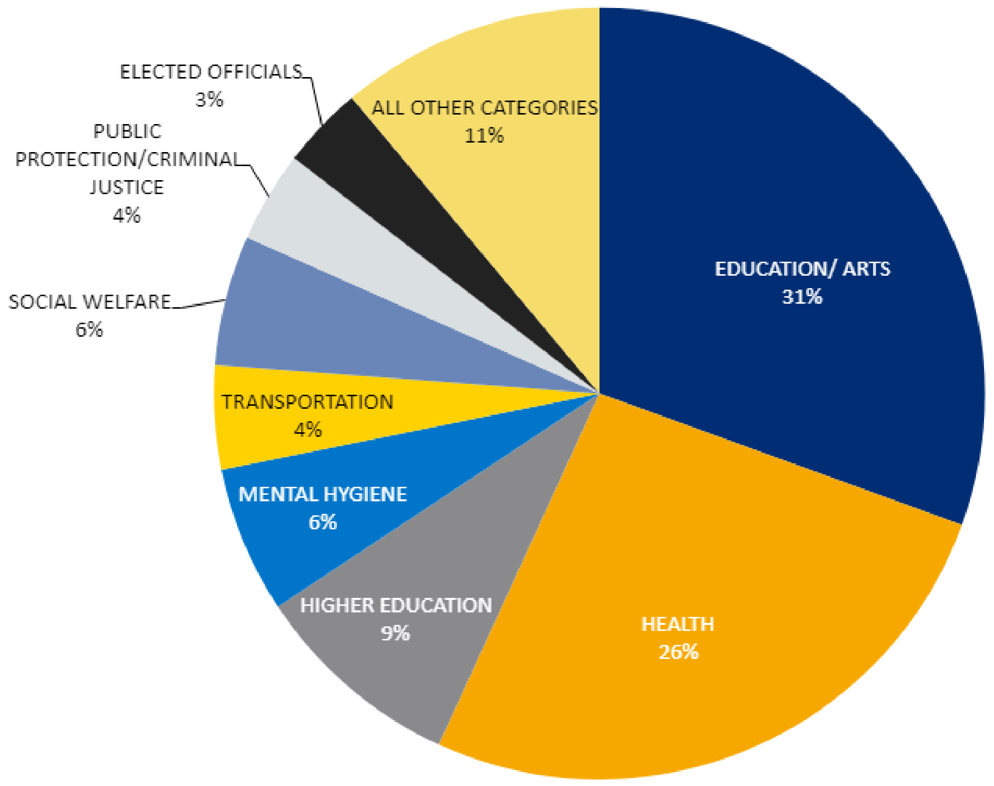
State Budget Review

State Operating Funds

The State Funds operating budget comprises the General Fund and other State-supported activities financed by dedicated revenues in State Special Revenue funds, as well as Debt Service funds accounting for the payment of debt service on all tax-financed State long-term debt. **The two biggest pieces of the pie will both grow larger in the adopted budget.**

FY 2025 State Operating Funds Spending by Function

(percent of total)



Where Does the Money Go?

State spending continues to increase at an alarming rate.

State Financial Plan Spending Comparison - FY 2025

($ in billions)

	Adopted SFY 2024	Executive SFY 2025	Assembly SFY 2025	Senate SFY 2025	Adopted SFY 2025	Increase over Prior Year
General Fund	$100.5	$107.6	$110.3	$116.3	TBD	TBD
State Operating Fund	$125.3	$129.3	$139.3	$137.9	TBD	TBD
All Funds	$229.0	$232.8	$245.8	$246.2	$237	$8 (3.5%)

In SFY 2019, All Funds Spending was $168 billion (42% growth).

Sustaining state programs with $27 billion less in federal funding through SFY 2028

Federal Funding Change					
Source of Funds	**SFY 2024**	**SFY 2025**	**SFY 2026**	**SFY 2027**	**SFY 2028**
Federal Funds	$92.8B	$88.2B	$84.8B	$85.3B	$86.1B
Difference from SFY 2024		($4.6B)	($8B)	($7.5B)	($6.7B)

In the final 3 years of the Governor's Proposed Financial Plan the estimated average annual loss of federal funds is $7.4 billion. This includes $6B in new funding from a recently approved 1115 Medicaid waiver.

State Budget Review

State Operating Fund Spending Trends

$ in Millions

	State Operating Funds	$ change	% change	
SFY 2016	$94,288	$1,862	2.0%	Average annual growth = **2%**
SFY 2017	$96,199	$1,911	2.0%	
SFY 2018	$98,151	$1,952	2.0%	
SFY 2019	$101,829	$3,678	3.7%	
SFY 2020	$102,160	$331	0.3%	
SFY 2021	$104,207	$2,047	2.0%	Average annual growth = **6%**
SFY 2022	$117,404	$13,197	12.7%	
SFY 2023	$120,151	$2,747	2.3%	
SFY 2024 Adopted	$129,013	$8,862	7.4%	
SFY '25 Gov. Budget	$136,172	$7,159	5.5%	
SFY 2025 Adopted	**TBD**	**TBD**		

State Operating Funds

Recent growth trends are unsustainable and puts all local governments at risk of increased cost sharing for state programs or reductions in state grants.

State Budget Review

Governor’s Budget Priorities

- Maintain record-setting state spending increases for K-12 education aid and Medicaid, but with an eye to reduce annual growth trends starting in SFY 2025. Limited success in adopted budget.
- Maintain minimum wage increases but targeting wage reductions for long term home health care workers
- Continue migrant assistance to NYC for at least one more year at $2.4 billion – Adopted
- Provide modest state investments on high profile public safety issues – retail theft and domestic violence
- Build more housing: Significant incentives included.

State Budget Review

Governor's Budget Priorities

Housing

- NYC-Tax Incentives for Converting Commercial Property to Affordable Housing
- NYC-Legalizing Pre-Existing Basement and Cellar Dwelling Units
- NYC-Extension of the 421-a RPTL abatement, creates new abatement program
- Optional Local Tax Exemption for Affordable Housing – Set asides for permanent low-income housing (25%), 25-30 years, phase-out exemptions
- Accessory Dwelling Units (ADU) – authorizes a 10-year local property tax exemption for ADU's if the value of the reconstruction, alteration, improvement, or new construction exceeds $3,000
- Good Cause Eviction with Local Opt-in for village, town or city
- Land Banks new funding of $40 million for a total of $50 million

State Budget Review

Medicaid increases are fueling state fiscal gaps

- The adopted budget could lead to a doubling of state financed Medicaid costs in 7 years. Average annual cost growth could exceed 14% from SFY 2021 thru SFY 2028. There is a great reliance on cost containment that in most years does not achieve savings targets, temporary federal aid, and enrollment trends that often exceed estimates. When something goes awry a new revenue source must be found, or larger cost containment actions become necessary.
- The adopted Medicaid plan relies on federal approval of a Managed Care Organization (MCO) health care tax that could generate as much as $4 billion per year – NYS is assuming less. CA has been approved, but CMS has indicated they want to close the loophole.

Adopted SFY 2025 Budget -- Medicaid Growth Trends[1]

($ in Billions)

Program	SFY 2021	SFY 2022	SFY 2023	SFY 2024	SFY 2025	SFY 2026	SFY 2027	SFY 2028	Total Change
DOH-Medicaid	$19.6	$22.0	$25.3	$27.9	$30.9	$33.8	$35.6	$37.3	**$17.6**
PROPOSED		12.0%	15.1%	10.2%	10.9%	9.5%	5.2%	4.6%	**89.8%**
DOH-Medicaid	$19.6	$22.0	$25.3	$27.9	$32.1	$35.4	$37.4	$39.2	**$19.6**
ADOPTED		12.0%	15.1%	10.2%	15.1%	10.3%	5.6%	4.8%	**99.6%**

[1]NYSAC estimates of future spending assume increases adopted in year one will continue and one-time revenues will need to be backfilled with state dollars.

State Budget Review

Why It Matters To Counties

New Funding & Beneficial

- No <u>new</u> significant direct cost shifts
- **Modernize state sales tax laws to require short term vacation rentals** to collect sales tax including marketplace platforms like Airbnb, VRBO, etc. Estimate **$15 million revenue benefit** for the 57 counties ($5M) and NYC ($10M).
  - **NYSAC believes this estimate could be closer to $30+M for the 57 counties before sales tax sharing.**

REJECTED

- In Rem tax foreclosure reforms that are workable for counties and mainly focus on meeting the Tyler v. Hennepin Supreme Court ruling
- **$85 million** for a new partnership program with counties on public safety communications systems;
- **$50 million** for a new partnership program w/counties on infrastructure;
- **$50 million** in new resources to support antipoverty initiatives in Rochester, Syracuse, and Buffalo;

State Budget Review

Why It Matters To Counties

New Funding

- **$50 million** in “temporary” funding for cities, towns and villages outside NYC
- **$36 million** in funding for district attorney offices and GIVE jurisdictions to prevent gun and domestic violence – doubling funding to $72 million;
- **$3.8 million** for grants to counties to improve flood resiliency **($15 million over two years**);
- annually in funding for postage for boards of elections;
- **$10 million** annually for dedicated retail theft teams in district attorney offices, with a separate $5 million annually for state and local law enforcement to combat retail theft;
- **$16.5 million** to increase human services case management and wrap-around services; and

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State Budget Review

Why It Matters To Counties

<u>New Funding</u>

Elections

- *Local BOE State Aid of $7.7 million for Pre-Paid Return Postage Envelopes* related to absentee ballots.
- *Local BOE Operating Aid* -- $5 million for local BOE's for operating costs related to the 2024 general election.
- *E-Poll Book State Aid* -- The enacted budget includes $14.7 million for local BOE's to procure new electronic poll books.

- *Uniform Standards for Processing Data Requests* – Requires State BOE to develop uniform standards for processing data requests and to send the data and information to a statewide database (Eff. April 1, 2026)
  - **Local BOE's will be responsible for maintaining the records, including but not limited to, any county or city BOE, or town, village, school district that administers their own elections or maintains their own voting and election records.**

Why It Matters To Counties

Cannabis Taxation & Enforcement

- Simplifies tax collection for cultivators, processors and distributors by repealing the wholesale THC potency tax and replacing it with a wholesale excise tax of 9%. NYS retains the 9% retail excise tax and the local retail excise tax of 4% (1% county, 3% host)
- **Medical Cannabis Changes** -- The budget reduces the excise tax on the gross receipts of the sale of medical cannabis from 7% to 3.15%. The bill also increases the percentage paid out of the Medical Cannabis Trust Fund to counties that host a medical cannabis production facility or dispensary from 22.5% to 50% in both cases. The bill ends contributions from the Medical Cannabis Trust Fund to state substance abuse treatment programs, and state and local law enforcement.
- **Enforcement** -- Enhances local government options for shuttering illegal cannabis retailers.

State Tax Receipts – Adult-Use Cannabis

- SFY 2023 – $0
- SFY 2024 – $70 million
- SFY 2025 – $158 million (+126%)
- SFY 2026 – $245 million (+87%)
- SFY 2027 – $339 million (+38%)
- SFY 2028 – $363 million (+7%)

NEW YORK POST

Cops raid illegal NYC pot shop just one day after defiant worker dared NYPD to shut down the store -*April 29, 2024*

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Why It Matters To Counties

- **Shared Services –** the Governor proposed ending the shared services program and state matching funding immediately. NYSAC supports ending the program but wanted to maintain state matching funds for recent projects submitted
    - **The Governor's proposal would continue matching funds for already implemented projects but would provide no state matching funds for projects submitted timely to the Department of State for the current round but not yet approved (18 submissions)**
    - **The final Budget agreement will continue state matching funds for any shared-services project submitted by January 31, 2024, that is ultimately approved.**

State Budget Review

Why It Matters To Counties

Pension Reforms in Adopted Budget

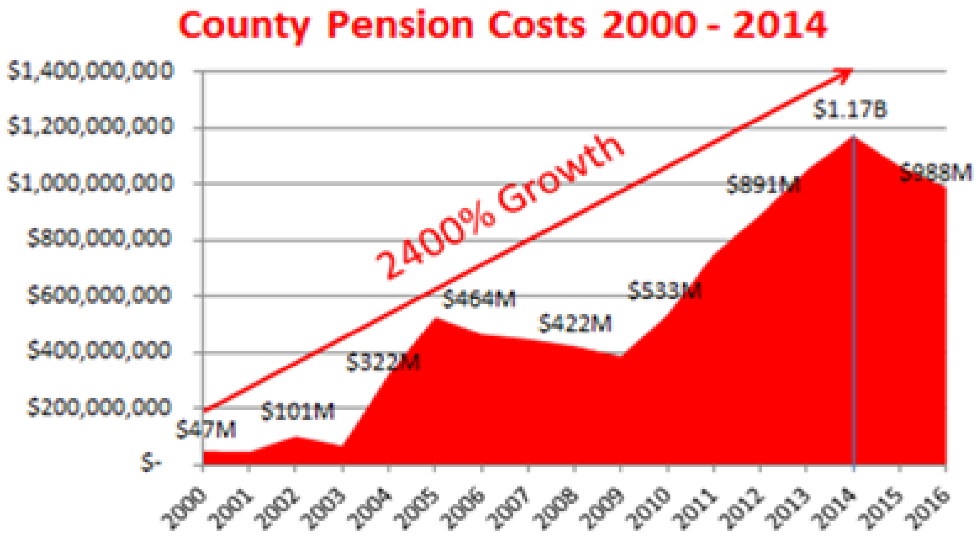
- *Change for Tier 6 Employees* – Lowers from 5 years to 3 years, the threshold for calculating Final Average Salary (FAS).
- Disregards Section 25 of NYS retirement law which requires NYS to fund local government pension cost increases due to enhancements enacted by the state.
  - For SFY 2023 – Counties had 85,184 active members
    - **79,781 active members in ERS – 42,092 were Tier 6 (53%)**
    - **5,403 active members in PFRS – 2,611 were Tier 6 (48%)**
- Lowering FAS from 5 to 3 will cost the 57 counties in the range of $20M to $25M, that will grow each year thereafter – about .5% of billable salary
- NYC cost is about $196 million annually, and grows each year thereafter (there are 3 other smaller reforms that apply to NYC only)
- According to the Legislature this change will enhance retention & recruitment for governmental employers

Why It Matters To Counties

A Brief History of Pension Reform

- *Prior to 2000, the benefits in the NYSLRS were more closely aligned with the benefit structure of Tiers 5 & 6 when they were first enacted.*
- *After a decade of low employer contributions, a wave of enhancements were implemented in 2000.*
  - **Chapter 125, established a formal COLA for ERS, PFRS paid on the first $18,000 of a retiree's single life allowance**
  - **Chapter 126, ERS member enhancements – Tier 1 & 2 age-based plans received additional credits for each year worked (capped at 24 months), Tier 3 & 4 received cessation of 3% member's contribution after 10 years of membership or service**
  - **Chapter 553, ERS Tier 4 – improved the service retirement benefit payable to members retiring before attaining normal retirement age of 62 with less than 30 years of service**
  - **Chapter 551 provided enhanced death benefits for PFRS**
  - **Chapter 554 provided enhanced death benefits for both ERS and PFRS**
  - **Chapter 548 allowed crediting of up to 3 years of service credit for military service performed during specific periods of military conflict.**

Why It Matters To Counties



A Brief History of Pension Reform

- **Costs** - The collective costs of the 2000 benefit enhancements were estimated to increase employer contributions by $450M upfront, plus recurring costs of $1.3B annually. This increased the average long-term billing rate by an estimated 7.2% every single year prospectively.
- For ERS, the expected long-term billing rate went from 10.9% before the reforms to 18.5% after (a 70% increase in costs due to the reforms)
- Costs increased far beyond expectations, aggravated by the 2002 recession and the Great Recession 2008. **The unsustainability of the rising pension costs led to the creation of Tiers 5 & 6**

Why It Matters To Counties

A Brief History of Pension Reform

Governor Andrew M. Cuomo announced the passage of a sweeping pension reform plan that will save state and local governments and New York City more than $80 billion over the next 30 years.

- **"For years, local governments have struggled to cope with soaring retirement costs, driving up taxes on New York families and small businesses," Governor Cuomo said. "This bold and transformational pension reform plan is a historic win for New York taxpayers and municipalities that will save more than $80 billion over the next 30 years, while preserving retirement security for public workers. Without this critical reform, New Yorkers would have seen significant tax increases, as well as layoffs to teachers, firefighters and police."**
- **"Protect Local Governments From State Pension Sweeteners: The agreement requires the state to pre-fund any pension enhancers, ensuring that these costs are no longer passed to local governments."**

Where Are We Heading with Enhancements to Tier 6?

- **The cost of Tier 6 benefits, when enacted, were about 50% of the costs of Tier 4. This is before the FAS 5-3 changes, reducing full vesting from 10 years to 5 years (2022) and COVID adjustments in 2023. After these changes, NYSAC estimates the Tier 6 benefits will amount to about 67% of the cost of Tier 4.**

State Budget Review

Why It Matters To Counties

Pension Reforms – Other Changes Being Considered

Impact on Local Retirement Systems/Employers

	NYSLRS	NYSLPFRS	NYSLRS	NYSLPFRS	NYCRS	
PROPOSAL	*(Share of Billable Salary)*		*(Annual $ Increase in Contributions)*		(Annual $ Increase)	Notes:
FAS lower from 5 years to 3 years - remove some Tier 6 restrictions (S.8490). **Notwithstands Section 25 of NYS retirement law (requies NYS to fund pension enhancements post 2012).**	0.50%	0.60%	$76M	$25M	$196M	For NYCRS - Yr 1 increase = $196M, Yr 25 increase = $550M. Total increased costs over 25 years = $9B. For NYSLRS
PV Cost of Benefit Change	***$1.2B***	***$.34B***			***$.63B***	
Caps Tier 5 & 6 Employee contributions at 3% after attaining 10 year of service (S.6864-A). **Nothwithstands Section 25 of NYS retirement law.**	1.5%[1]	1.8%[2]	$162M	$41M	$264M	[1]Retro and prospective costs Tier 6 employees (Tier 5 = .7%). [2] Retro & prospective for Tier 6 (Tier 5 =.7%). For NYCRS - Yr 1 = $264M, Yr 25 =$785M. 25 yr. total increase = $12.8B. The Acuarial Fiscal Note does not provide an annual employer contribution $ increase. NYSAC estimate.
PV Cost of Benefit Change	***$2.5B***	***$.56B***			***$3.3B***	
Begins COLA payments after 5 years in retirement (currently 10 year wait for those retiring at 55) (S.6160)	0.10%	0.30%	$17M	$11M	Does Not Apply	**NYS would cover retroactive costs. Prospective costs shared with local governments.** Present Value costs not provided in actuarial note.
PV Cost of Benefit Change						
Increases base for COLA to $21k (up from $18k), eliminates 50% of inflation rate cap for 2001 - 2023. **Notwithstands Section 25 of NYS retirement law. (S.6307)**	1.90%	1.30%	$360M	$46M	Does Not Apply	
PV Cost of Benefit Change	***$5.43B***	***$.63B***				
TOTAL INCREASE ACROSS PROPOSALS	**4%**	**4%**	**$615M**	**$123M**	**$460M**	**For NYCRS Yr 1 increase = $460M, growing to $1.3 billion by year 25. Total increase in costs over 25 years = $21.8B**
PV Cost of Benefit Change	***$9.1B***	***$1.5B***			***$3.93B***	
Generally enacted in budget						

Why It Matters To Counties

*Pension Reforms – **Total Impact of Proposed Changes***

	ERS	PFRS
Average County Share of Billable Salary SFY 2025	15.2%	31.2%
Proposed Billable Salary Increase	*4.0%*	*4.0%*
Proposed Contribution Change - % of salary	**26.3%**	**12.8%**
	ERS	**PFRS**
Estimated County $ Contributions SFY 2025	**$605M**	**$233M**
Estimated Permanent Annual $ Increase from All Proposals	*$159M*	*$30M*
($ Increase)	***$189M***	
Estimated County Contributions SFY 2026	**$764M**	**$263M**
(Percent Increase)	***22.5%***	

Why It Matters To Counties

Other Labor Reforms

Required Prenatal Care Time Off

- All employers will be required to offer 20 additional hours of leave for prenatal medical appointments in any 52-week calendar period in addition to New York's current 12 weeks of Paid Family Leave. Leave for prenatal visits such as physical examinations, medical procedures, monitoring and testing, and discussions with a healthcare provider related to the pregnancy. Time can be taken and reimbursed in hourly increments. Effective January 1, 2025.

Insulin Cost Sharing

- The enacted budget includes legislation to ensure that insulin drugs are not subject to a deductible, copayment, coinsurance, or any other cost-sharing requirement.

Why It Matters To Counties

Energy & Environment – RAPID Act

- Streamlines environmental review and permitting process for renewable energy and electric transmission – consolidates these activities under the Office of Renewable Energy Siting & Electric Transmission (ORES)
- Goal is to create uniform standards for siting, design, construction and transmission
  - Timelines for review and approval of applications will be shortened
  - Requires consultation with local governments before an application is submitted (local laws can be overridden)
  - Minimize impact of projects on farmland – ORES must give preference to sites like brownfields, rooftops and parking lots for solar projects to protect farmland
  - If sited on prime agricultural land comprehensive decommissioning plans are required that ensures the land can return to agricultural use – farmland conservation fees are required for developers

In Rem Reforms As Adopted

The Governor's Budget reforms remained largely intact.

- The State law will comply with U.S. Supreme Court decision, *Tyler v. Hennepin*. Surplus must be returned to prior owner(s) when one is determined (after reasonable expenses are repaid to the tax enforcing district),
- Sets a process for defining and distributing surplus,
- Adds provisions when properties are transferred to land banks,
- Any third parties can apply for surplus funds if they have liens on the property,
- Payments to lienholders would be made by the court,
  - **After 3 years any unclaimed surplus funds would become the property of the enforcing tax district and must be used to reduce the property tax levy (undefined)**
- Special state tax act enforcing districts would have to comply with new In rem procedures and would need to change their statutory authorizations in order to commence foreclosures, can be done through a local law,
- Tax districts would have 6 months from the effective date of the act to pay over any surplus attributable to sales of tax-foreclosed property that occurred between May 25, 2023, and the effective date of the act,
- For sales prior to May 25, 2023, the tax district would only be liable to pay surplus where an Article 78 proceeding to compel the payment of the surplus had been commenced within four months of the sale. ***This will be, and is, subject to litigation.***

In Rem Reforms

- The bill defines reasonable administrative expenses as:
  - the cost of the mailing or service of notices required or authorized by law,
  - the cost of publication of notices,
  - the amount of any interest and penalties imposed by law,
  - the cost of recording or filing required legal documents,
  - the cost of appraising a parcel for the purpose of determining the existence and amount of any surplus in cases where a public sale does not occur,
  - the reasonable and necessary cost of any search of the public record required or authorized to satisfy the notice requirements of this article, and other reasonable and necessary expenses incurred by a tax district in connection with a proceeding to foreclose a tax lien, including but not limited to, administrative, auction and reasonable attorney fees and/or costs associated with the foreclosure process,
    - **provided, that: (i) a charge of up to either $250 per parcel, or 2% of the sum of the taxes, interest and penalties due on the parcel, whichever is greater, shall be deemed reasonable and necessary to cover the combined costs of such searches and the other reasonable and necessary costs and expenses and (ii) a tax district may charge a greater amount with respect to one or more parcels upon demonstration to the satisfaction of the court having jurisdiction that such greater amount was reasonable and necessary; and**
  - the amount owed to the tax district by virtue of a judgment lien, a mortgage lien, or any other lien held by the tax district that is not a delinquent tax lien.

In Rem Reforms

The legislature added provisions related to a Homeowner's Bill of Rights to:

1. Not have exemptions removed or waived for nonpayment of property taxes, except to the extent otherwise provided in § 171-w and any other general law that authorizes the removal of an exemption due to nonpayment
2. To be informed of amount of tax due, who and how to pay, # of years in arrears, etc.
3. To receive homeowner warning notices that provide a lengthy description of the process and potential loss of property; directs them to resources to help, housing counseling, AG Homeowner Protection Program; directs to state website that provides notices in top foreign languages; etc.
4. To receive a share of surplus in foreclosure sale
5. To be charged interest at a rate no higher than the maximum amount allowed by law for unpaid property taxes
6. To enter into installment/repayment plans where locally authorized
7. A grace period of 5 days to pay taxes without interest for senior citizens receiving STAR type benefit subject to local laws that provide for this option
8. Extinguish tax debts upon the foreclosure of a primary residence but does not preclude a tax district from bringing an action against a former owner to recover reasonable costs incurred in acting pursuant to law to remove, abate or mitigate unsafe conditions

State Budget Review

Why It Matters To Counties

- **Emergency Medical Services Reforms** – The Budget makes a series of investments to strengthen and stabilize the state's healthcare delivery system, including:
    - Streamlining the certificate of need (CON) process
    - Creation of five "Emergency Medical Service (EMS) zones" across the state, overseen by the newly established EMS statewide Task Force to augment the EMS workforce
    - Establishing a Paramedic Telemedicine Urgent Care program, to expand care in rural areas and reduce preventable emergency department visits, and
    - Allowing general hospitals to provide care in a patient's home without obtaining a license as a home care agency and allowing emergency medical technicians (EMTs) to provide non-emergent care in the community. Participating hospitals would be required to submit operating cost data to the Department of Health annually.

REJECTED

State Budget Review

Why It Matters To Counties

Concerns

- **Proposed In rem reforms proposed in the Budget will negatively impact county finances over time**. The state needs to provide financial assistance.
- **$250 million cut in state clean water spending** R E S T O R E D
- Executive Budget authorizes the **closure of up to five state correctional facilities** with 90-day notice. Pros (repurposing the real estate and state savings) and cons (loss of local employment and spending in the community to support the facility).
- **State spending is on an unsustainable path** given current revenue and expenditure trends. The structural imbalance means more cost shifts to counties are likely in the future.
  O N S T E R O I D S
- A **constitutional amendment is being proposed to lift the cap on the number of state supreme court judges did not make it into the final budget**. Supreme court judges are currently capped at about 400 (1 per 50,000 in population). The amendment would lift [illegible] according to OCA [illegible] 1M per judge to build-out chambers (this does not include courtroom space). The capital cost of chambers is borne by the host county. The earliest such a proposal could be on the ballot would be 2025.
  WILL RETURN – END OF SESSION…
- **No state support for the growing EMS crisis.**

Why It Matters To Counties

Authorize Sales Tax Collections for the Gig Economy

- Require STR home rental agencies, such as VRBO, Airbnb, & others to collect sales tax and hotel/motel occupancy tax, S.885-B (Hinchey) / A.4130-A (Fahy).

Local Government, Procurement, & Finance Operations

- Expedite the distribution of state aid for the Supervision and Treatment Services for Juveniles Program (STSJP), A.6452 (Solages) / S.396 (Cleare).
- Extend Section 103 (1-b) of the procurement law authorizing local governments to purchase technology products and software, security, law enforcement, and disaster relief from the Federal General Service Administration (GSA).
- Extend Section 104 of the procurement law authorizing local governments to make purchases using OGS contracts to purchase a myriad of products.
- Enact S.1634-A (Kavanagh) / A.4026 (Rosenthal) to hold property owners of abandoned properties accountable for not maintaining their property
- Ease the creation of local government health insurance consortia under Article 47 of the Insurance Law, S.3554 (Breslin)/A.4412 (Steck)

NYSAC – End of Session Legislative Priorities

Why It Matters To Counties

Environment

- Allow local governments to advance solar energy projects under two megawatts that are directly above parking lots without approval from the State Legislature, S.1179 (Harckham)/A.7279 (Levenberg).Authorize Sales Tax Collections for the Gig Economy
- Establish the Safe Water Infrastructure Program, S.4350-A (Hinchey) / A.6155 (Gunther) to assist local governments with drinking water, stormwater, and sanitary sewer infrastructure projectsLocal Government Operations

Public Works

- Reform the NYS Wicks Law (GML §101) by raising current thresholds to at least $5 million for all entities currently subject to limits to adjust for inflation.
- Enact A.426 (Magnarelli) to increase the CHIPS bidding threshold to $750,000. An increase in the threshold would give localities the flexibility and option to bid out or perform in-house projects under $750,000.
- Extend design-build authority to counties, allowing local governments to use this method would reduce costs and speed project completion.

Why It Matters To Counties

Civil Service and Public Employees

- Amend Public Officers Law §3 to allow for home rule authority to set employee residency rules.
- Expand the acceptable zone of "band scoring" of civil service examinations, thereby accessing a larger pool of candidates.
- Eliminate the competitive status for any position that requires the applicant to hold a valid Professional License issued by the State of New York.
- Allow all, or as many as may be practicable, tests to be administered locally.

Mental Health

- Reform the process of Mental Health Competency Restoration by enacting S.1874 (Brouk)/A.5063 (Gunther)

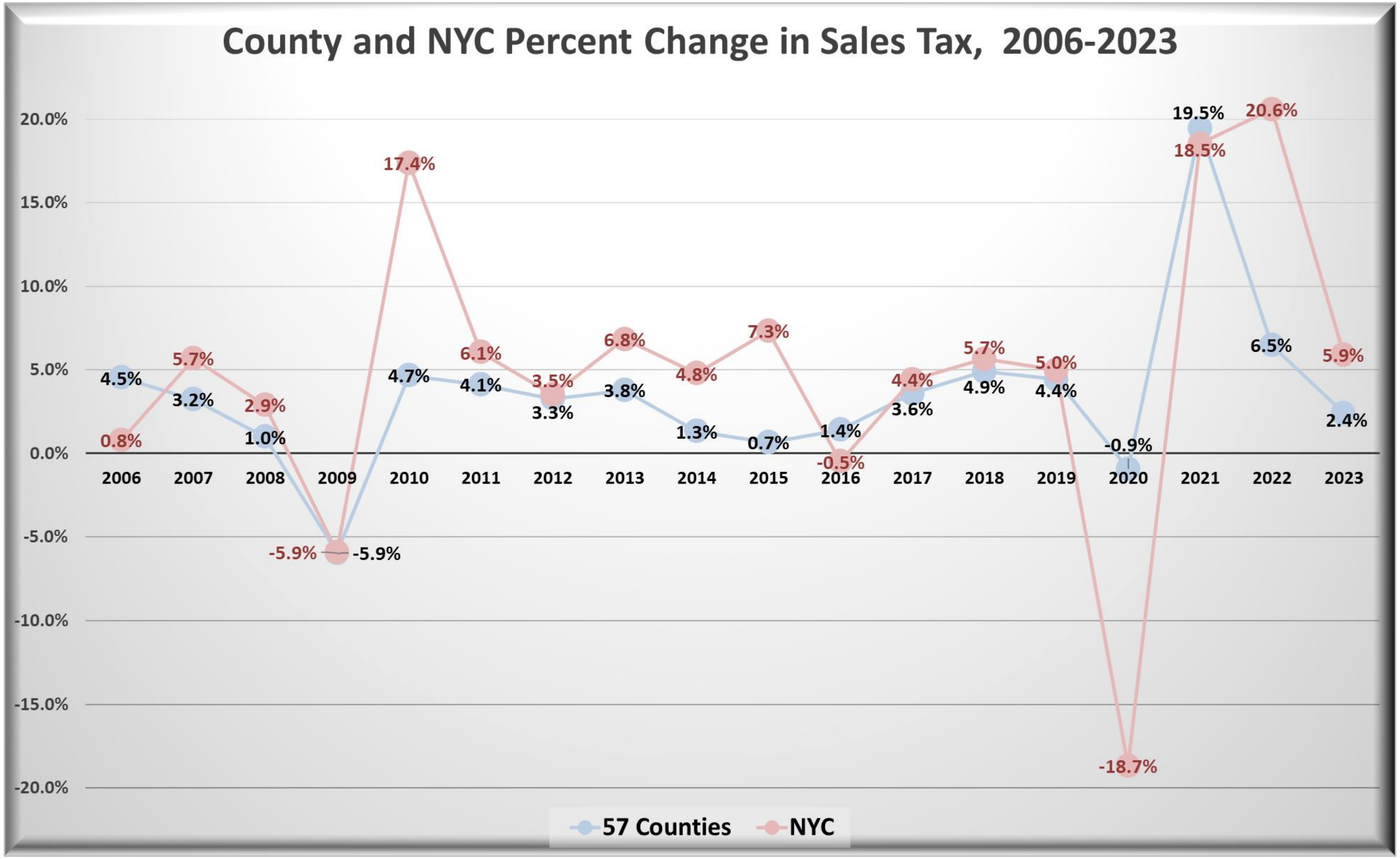
Robust Growth of the Last Few Years is Slowing

- Growth is returning to pre-COVID levels
- Inflation is falling, but sticky
- Wage growth is slowing but still strong
- Consumers have spent most of their one-time federal pandemic aid – **BUT KEEP ON SPENDING**
- Student loan payments held in abeyance for more than three years started up again in October 2023, impacting 45 million people

The State Financial Plan is projecting conservative sales tax growth after the close of the SFY 2024 budget as follows:

- SFY 2024 = (+5.3 percent)
- SFY 2025 = (+2.3 percent)
- SFY 2026 = (+2.5 percent)
- SFY 2027 = (+2.7 percent)
- SFY 2028 = (+2.4 percent)

Sales Tax Update



The aggregate change in 2023 was 2.4% for the 57 counties, ranging from (-5.6%) to 11.6%.

For the 57 counties January-April 2024 sales tax collections are down 1.6% compared to last year, ranging from -8.7% to 10%. NYC is up just 2%.

Sales Tax Update - **CASH**

2023 Sales Tax Cash Comparison to Prior Year Period		
Period	**57 Counties**	**NYC**
January	48.3 percent	55.9 percent
January-February	17.5 percent	18.2 percent
Jan-March	17.3 percent	13.6 percent
Jan-April	6.7 percent	13.6 percent
Jan-May	4.6 percent	11.8 percent
Jan-June	3.8 percent	8.8 percent
Jan-July	4.5 percent	9.4 percent
Jan-August	4.6 percent	8.2 percent
Jan-Sept	4.8 percent	7.2 percent
Jan-Oct	3.8 percent	7.8 percent
Jan-Nov	3.7 percent	7.3 percent
Jan-Dec	3.8 percent	7.4 percent

2024 Sales Tax Cash Comparison to Prior Year Period		
Period	**57 Counties**	**NYC**
January	-13.7 percent	-7.4 percent
January-February	-5.6 percent	.6 percent
January-March	-4.2 percent	2.5 percent
January-April	-1.6 percent	2.0 percent
January-May		
January-June		
January-July		
January-August		
January-September		
January-October		
January-November		
January-December		

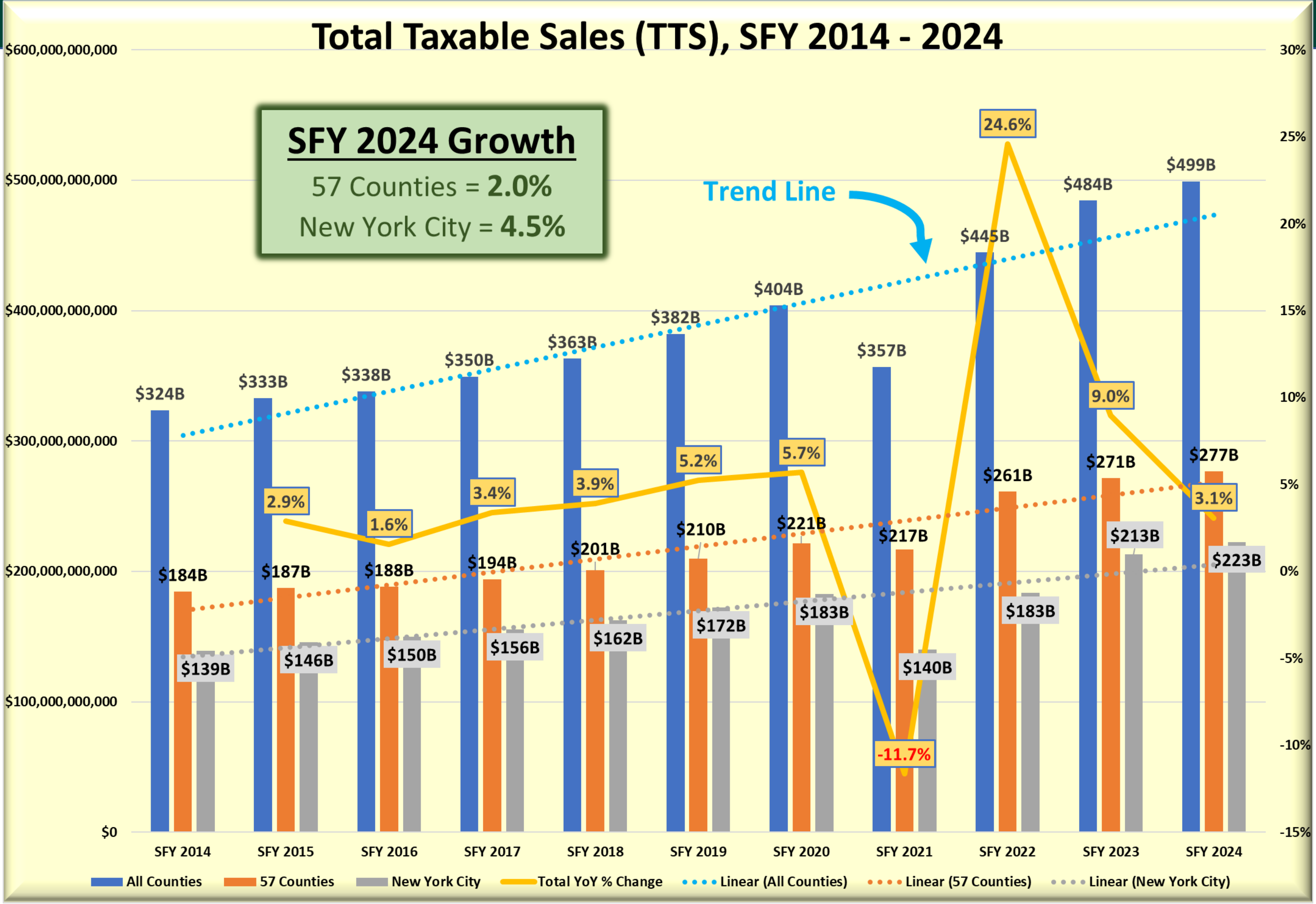
Last year, sales tax growth was very strong in the first part of the year as shown by the chart on the left. Making sustained growth in the first part of 2024 more difficult.

Sales Tax Update - **TTS**

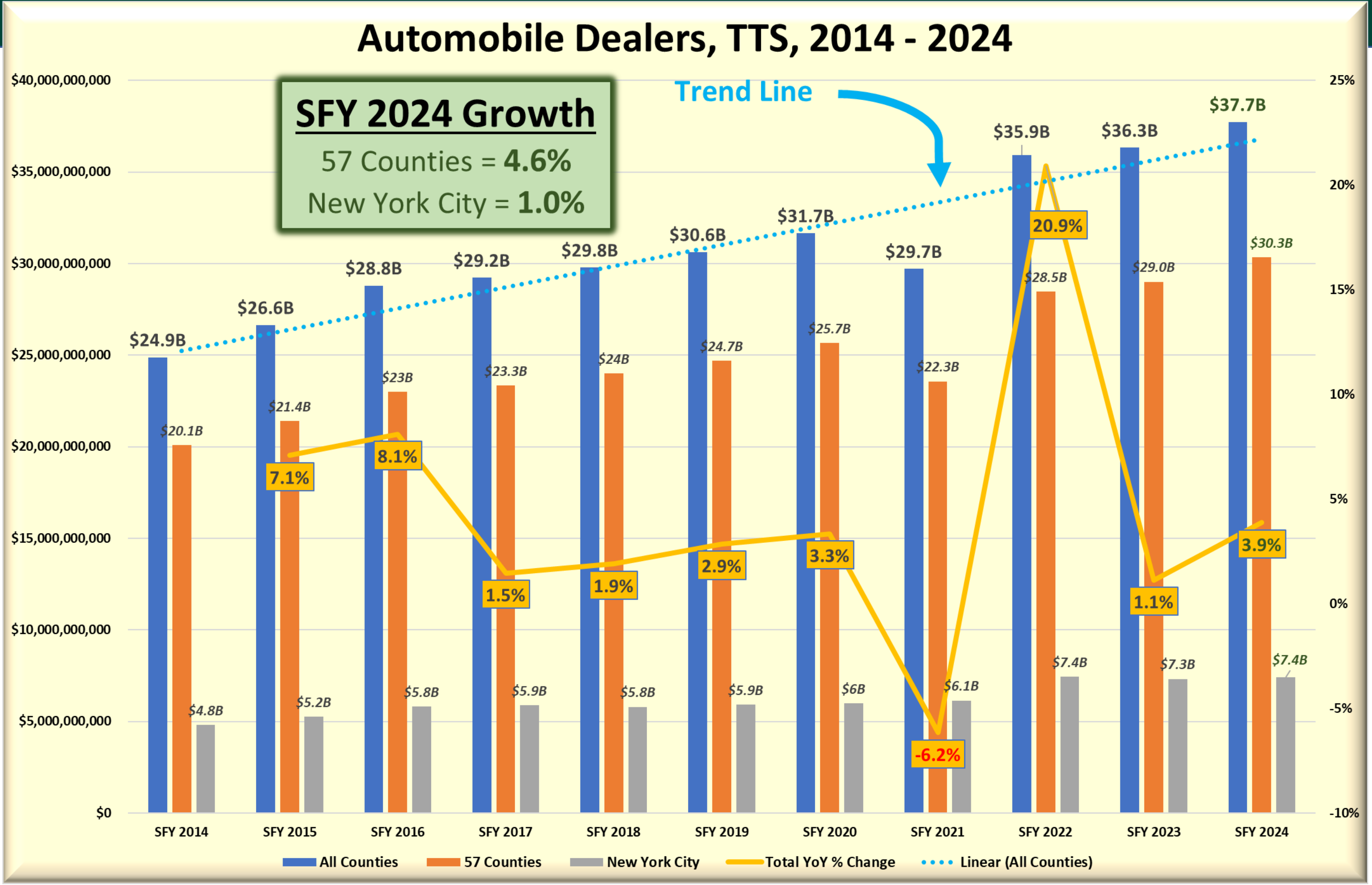
For SFY 2024

Total taxable sales are slowing to pre-COVID trends with overall growth of 3.1 percent for SFY 2024.

57 Counties = 2%
New York City = 4.5%



Sales Tax Update – **AUTO DEALERS**



For SFY 2024

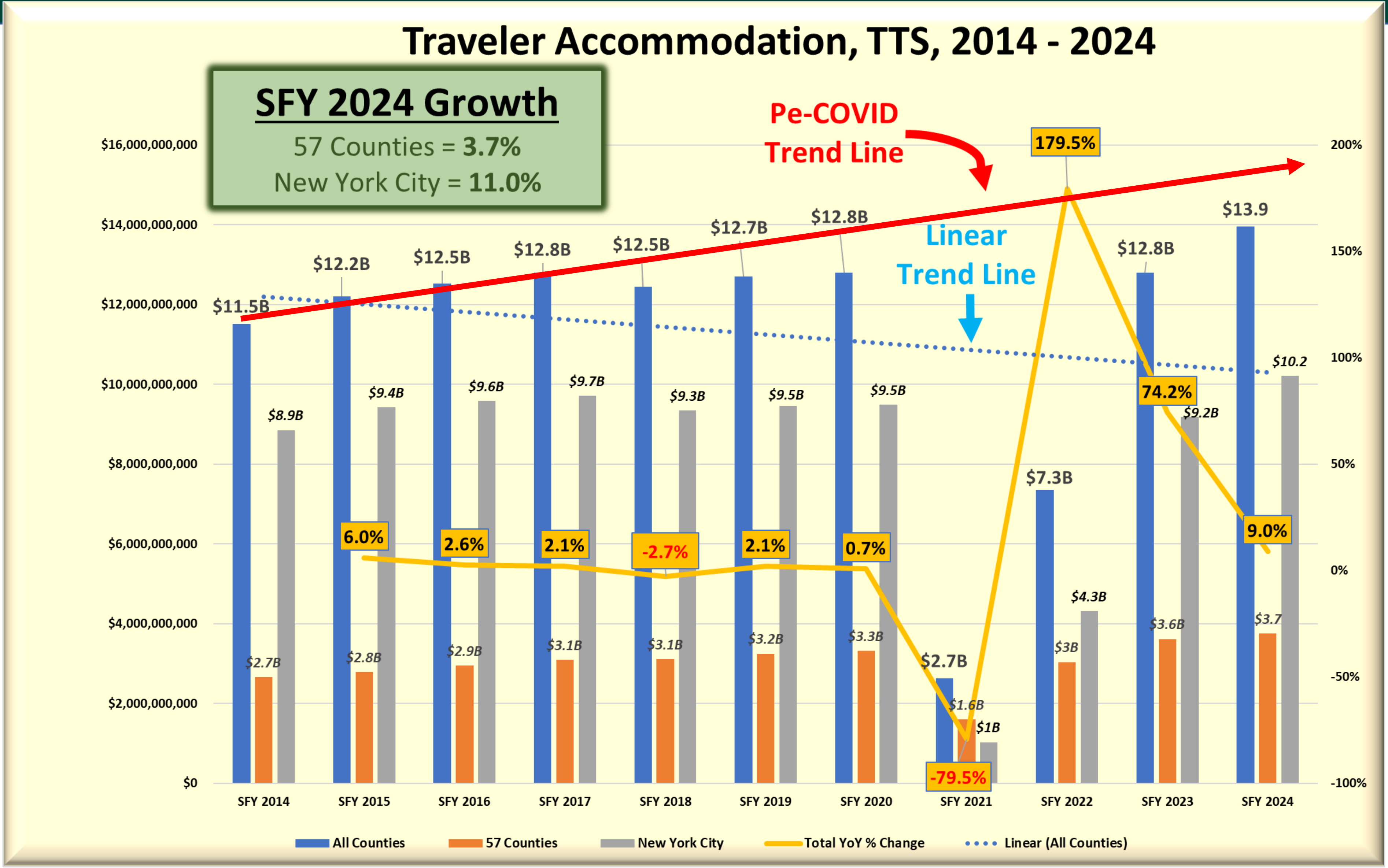
Auto Dealers total taxable sales are approaching pre-COVID trends with overall growth of 3.9 percent for SFY 2024.

57 Counties = 4.6%
New York City = 1.0%

Sales Tax Update – **TRAVELER ACCOMMODATION**

For SFY 2024
Traveler Accommodation total taxable sales are approaching pre-COVID trends with overall growth of 3.9 percent for SFY 2024.

57 Counties = 4.6%
New York City = 1.0%

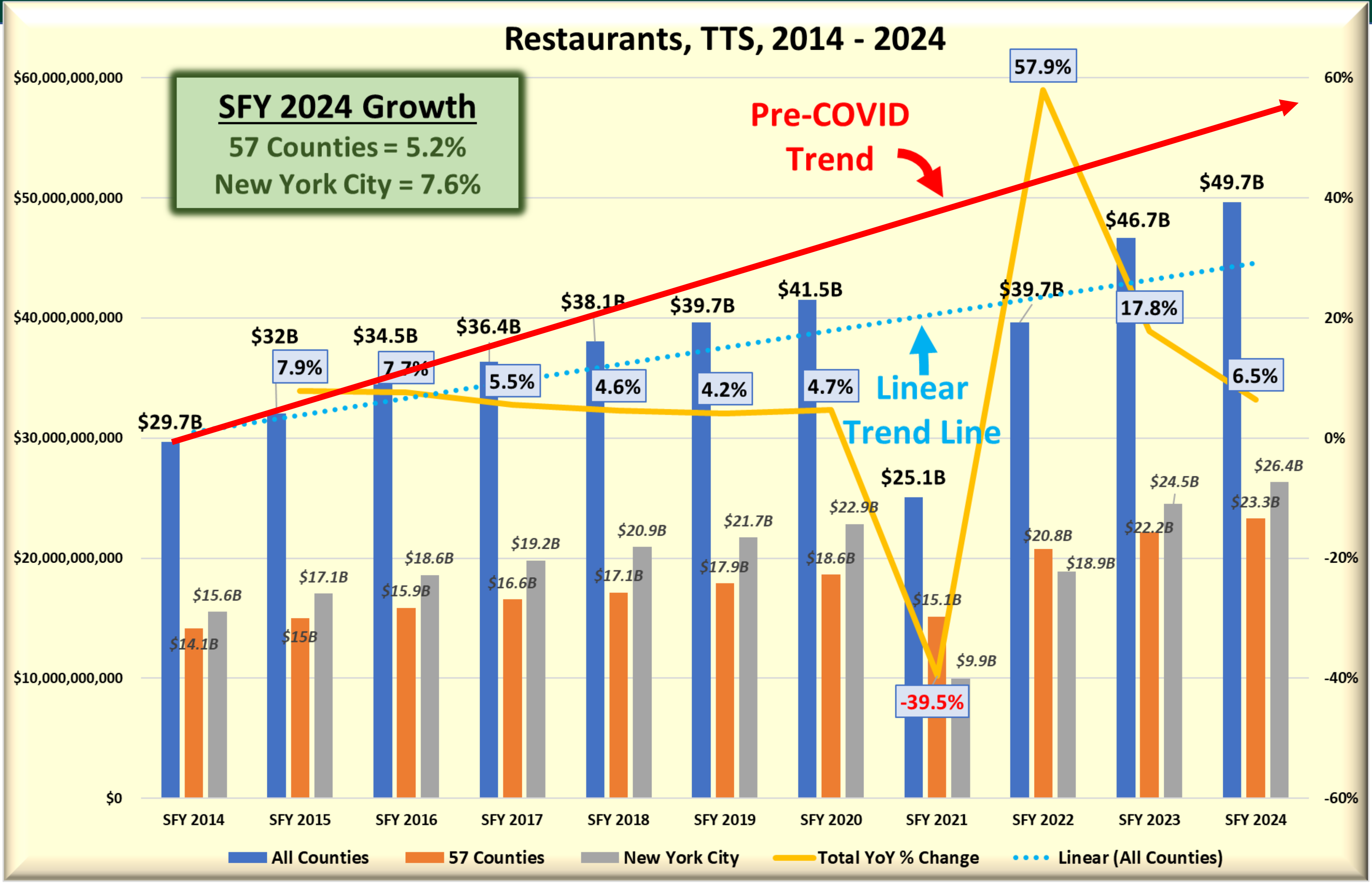


Sales Tax Update – **RESTAURANTS**

For SFY 2024

Restaurants total taxable sales are approaching pre-COVID trends with overall growth of 6.5 percent for SFY 2024.

57 Counties = 5.2%
New York City = 7.6%



Internet–Based Sales Tax Are Strong, but Slowing

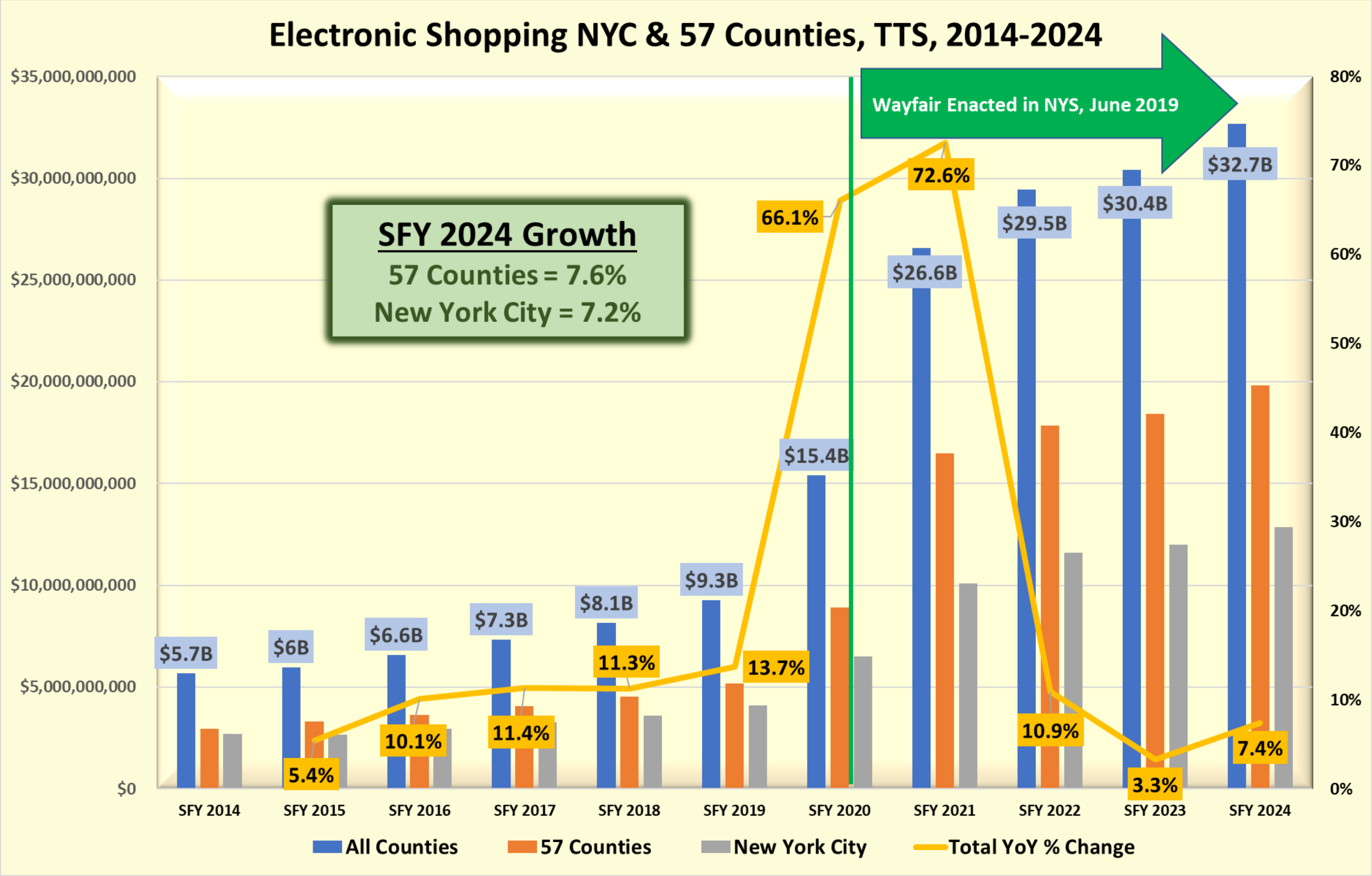
- The 2018, U.S. Supreme Court Wayfair decision allowed states to collect sales tax on internet-based retail transactions.
- In NYS, Internet-based sales tax collections have grown 600% since enactment of Marketplace/Wayfair state law changes.
- Since 2019, counties have collected $3.2 billion in sales tax that otherwise would not have been collected had these laws not been enacted – averaging about $750 million per year.
  - **57 counties = $2.0B**
  - **NYC = $1.2B**

Sales Tax Update – **ELECTRONIC SHOPPING**

Overall, Internet-based transactions have grown from about 1.8% to 6.5% of total taxable sales since SFY 2014.

Range by county is 5% to 9.6%.

Settling into the Top 5 sources of sales tax revenues for many counties in recent years.

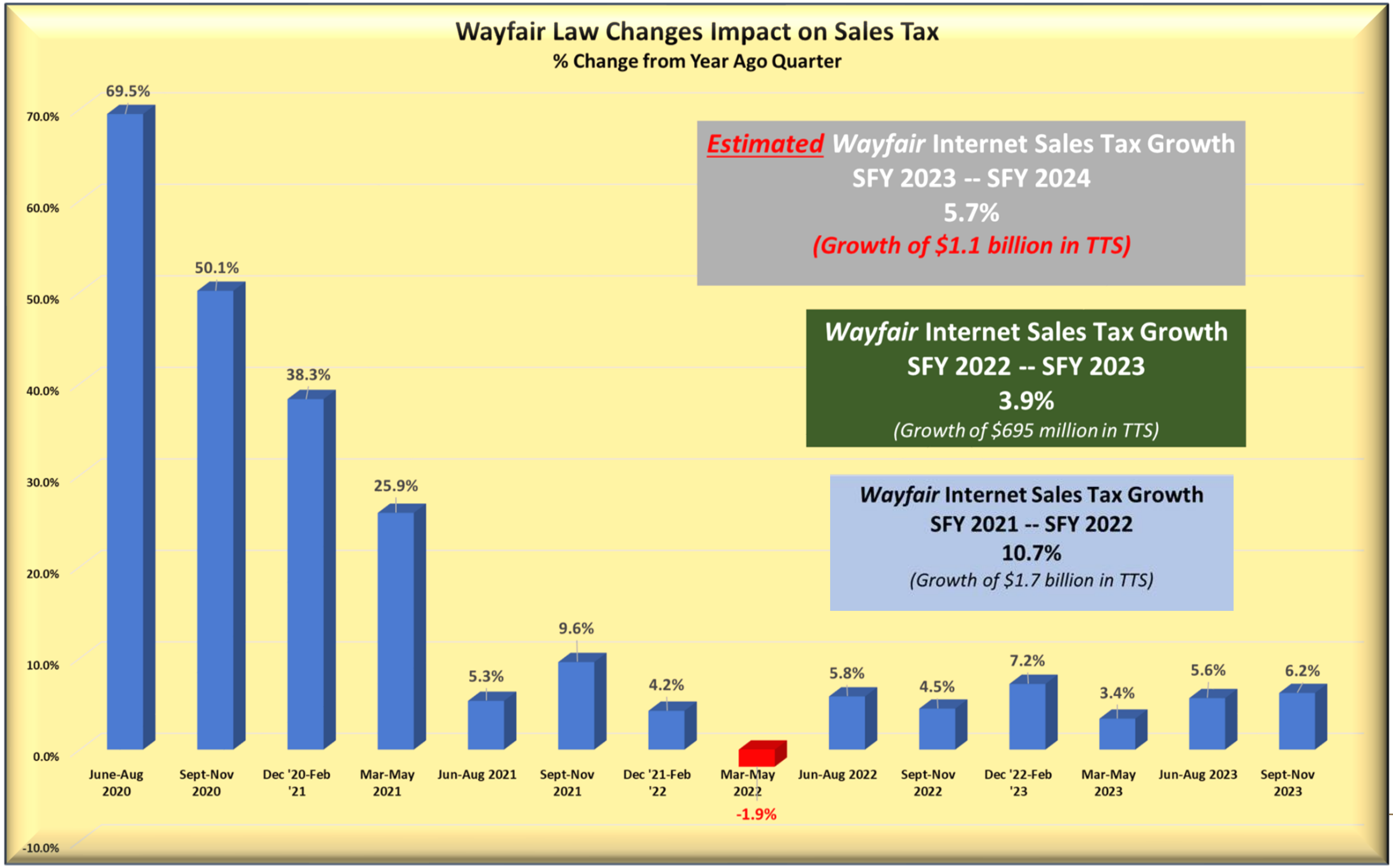


Internet-based Sales Tax Strong but Slowing

The *Wayfair Decision* and **Marketplace Provider tax law changes comprise 67% of a typical counties' total internet-based sales tax collections today**.

After the ramp up period, growth trends on a full annual basis are settling in at high single digits.

Marketplace as Share of All Internet-based Sales by Pop.
Counties < 100k = 70%
Counties > 100k = 54%



Internet-based Sales Tax Strong but Moderating

County	Estimated Wayfair Marketplace Sales Tax Since 2019	County	Estimated Wayfair Marketplace Sales Tax Since 2019	County	Estimated Wayfair Marketplace Sales Tax Since 2019
ALBANY	$51,249,907	HERKIMER	$9,611,093	SARATOGA	$33,028,223
ALLEGANY	$7,087,334	JEFFERSON	$17,521,084	SCHENECTADY	$23,977,834
BROOME	$27,316,519	LEWIS	$3,711,386	SCHOHARIE	$4,918,280
CATTARAUGUS	$10,389,688	LIVINGSTON	$9,423,029	SCHUYLER	$2,864,618
CAYUGA	$11,220,295	MADISON	$10,701,937	SENECA	$4,780,645
CHAUTAUQUA	$14,503,842	MONROE	$111,921,971	ST LAWRENCE	$15,045,619
CHEMUNG	$11,568,727	MONTGOMERY	$6,988,743	STEUBEN	$14,391,830
CHENANGO	$5,934,514	NASSAU	$292,407,435	SUFFOLK	$343,195,802
CLINTON	$12,807,471	NIAGARA	$36,159,519	SULLIVAN	$14,547,498
COLUMBIA	$10,438,747	NY CITY	$1,215,331,665	TIOGA	$6,443,898
CORTLAND	$6,710,606	ONEIDA	$37,551,666	TOMPKINS	$15,731,552
DELAWARE	$6,727,397	ONONDAGA	$72,133,368	ULSTER	$36,231,353
DUTCHESS	$49,715,174	ONTARIO	$16,310,309	WARREN	$8,674,389
ERIE	$172,743,366	ORANGE	$65,631,108	WASHINGTON	$6,880,104
ESSEX	$7,160,371	ORLEANS	$5,804,584	WAYNE	$14,457,238
FRANKLIN	$7,449,883	OSWEGO	$17,975,489	WESTCHESTER	$193,030,717
FULTON	$7,967,911	OTSEGO	$9,337,548	WYOMING	$5,619,575
GENESEE	$8,601,694	PUTNAM	$21,703,170	YATES	$3,507,546
GREENE	$7,612,165	RENSSELAER	$25,857,802	**TOTAL**	**$3,224,252,117**
HAMILTON	$985,150	ROCKLAND	$52,651,730		

ARPA – State and Local Fiscal Recovery Funds

State and Local Fiscal Recovery Funds (SLFRF)

Counties (outside of NYC) received $2.2 billion through ARPA to help counties recover and rebuild their economies from COVID

- Counties need to make sure their spending is on target to meet federal deadlines
- All funds must be **obligated** by the end of 2024
- All funds must be fully spent by the end of 2026
- On March 29, 2024, the U.S. Department of Treasury released new Frequently Asked Questions (FAQs) related to their Obligation Interim Final Rule (IFR) for the ARPA State and Local Fiscal Recovery Fund

ARPA – State and Local Fiscal Recovery Funds

State and Local Fiscal Recovery Funds (SLFRF)

What are the major wins for counties included in the new guidance?

- Counties may use Recovery Funds for personnel costs for any eligible position through December 31, 2026, that was filed prior to December 31, 2024 – ***This is a deviation from the Obligation IFR, which stated funds may only be used to cover personnel costs for individuals responsible for reporting/compliance for Recovery Funds***.
- If a county decides to use Recovery Funds for personnel costs, it is required to collect information and report this to Treasury by either January 31, 2025 (for quarterly ARPA report filers) and April 30, 2025 (annual ARPA report filers) – ***This is an extension from the previous April 30, 2024, deadline***.

ARPA – State and Local Fiscal Recovery Funds

State and Local Fiscal Recovery Funds (SLFRF)

What are the major wins for counties included in the new guidance?

- Subrecipients are NOT subject to the December 31, 2024, obligation deadline.
- After the December 31, 2024, obligation deadline, if a county has excess funds that were already obligated but not yet expended, the county may reclassify funds from the original activity to another project that is eligible under Recovery Fund guidance.
- **Check with your auditors, consultants, and county attorney on the path forward.**