

Major State Funding Streams

1. Aid and Incentives for Municipalities (AIM)

Description: AIM currently provides \$719 million in general purpose aid to cities, towns, and villages. Changes have been made in recent years that are intended to encourage shared services and consolidation. Current AIM funding is based on a combination of historical funding levels and recently enacted formulaic increases. The historical base on which AIM is calculated includes “revenue sharing” amounts (largely dependent on different \$ per capita for cities, towns and villages, but also other factors), but also includes legislative funding decisions for certain “emergency aids.” The State’s 62 cities currently receive about 90 percent of all AIM funding while 1,485 towns and villages receive \$71 million or 10 percent. Average AIM per capita funding levels are at \$277 for cities outside of New York City and approximately \$7 for towns and villages.

A four-year, \$200 million expansion in AIM funding was approved this year with the largest increases targeted to distressed municipalities and tied to greater local fiscal accountability. As part of the new AIM accountability requirements, larger municipalities receiving increases of at least 5 percent are required to identify shared services activities. In addition, a 25 percent consolidation “bonus” in AIM was enacted this year for local governments that consolidate, which bonus will be paid through the SMSI program, described below. Under this provision a newly consolidated government would receive aid that is 25 percent above the amount that the consolidated component governments would have received, including any increases, up to a maximum incentive amount of \$1 million.

Further information on AIM is available at:

<http://www.budget.state.ny.us/localities/local/aim.html>.

Possible Changes to Promote Commission Goals: This year’s addition of a consolidation bonus in AIM needs to be watched. As several municipal consolidations are being advocated and will be receiving assistance from the Commission’s Inter-Agency Task Force, we will have a good opportunity to see if the bonus as calculated provides a necessary and sufficient inducement (i.e., did we get the price right?). A similar analysis of the shared services provisions should be undertaken, for the Commission’s consideration of recommendations for further changes in AIM.

The Commission may want also want to consider the appropriate policy for AIM funding going to newly incorporated local governments which generally would not receive new aid under current law. This year two recently incorporated villages expressed an interest in receiving AIM funding and aid was provided, although through another grant program rather than the AIM program.

2. Shared Municipal Services Incentives (SMSI)

Description: The SMSI program supports \$15 million in grants for a range of local shared services activities involving counties, cities, towns, villages, school districts, fire districts, and special improvement districts. Municipalities can apply to the Department of State for grants of up to \$200,000 per municipality with priority given to shared



services activities such as highway services and countywide shared services programs. In addition, the SMSI program includes \$10 million in funding to support a 25 percent increase in AIM funding, up to \$1 million, to consolidated municipalities. More SMSI program information is available at:
<http://www.dos.state.ny.us/lgss/smsi/smsihome.html>.

Possible Changes to Promote Commission Goals: A separate briefing on SMSI, as well as a summary of lessons learned from several case studies has been provided. The Commission may want to develop recommendations to enhance future program effectiveness. For example, eligibility for SMSI grants could be expanded to include other special purpose units of government (e.g., water authorities) or emphasis could shift away from shared services to consolidation of functions.

3. Consolidated Local Street and Highway Improvement Program (CHIPS)

Description: The CHIPS program currently provides \$312.5 million in capital project funding to counties (\$111.9M), New York City (\$68.4M), other cities (\$28.8M), towns (\$82.5M), and villages (\$20.9M) for the construction and repair of highways, bridges, highway-railroad crossings, and other facilities that are not on the State highway system. Apportionments to municipalities are calculated annually by the New York State Department of Transportation (NYSDOT) according to formulas specified in State Highway Law. While several other factors are considered (municipality "funding levels" and historical percentages for counties, cities, towns, and villages), the two most important data inputs for this allocation process are local highway inventory mileage (for all municipalities) and motor vehicle registrations (for counties and NYC) that are reported annually to NYSDOT. Municipalities are "held harmless" if they consolidate. Newly incorporated municipalities receive a portion of the aid of the municipality that they incorporated from. More CHIPS program information is available at:
<https://www.nysdot.gov/portal/page/portal/programs/chips>.

Possible Changes to Promote Commission Goals: Criticism of CHIPS ranges from complaints that it is far too small an aid stream given the needs, to suggestions that it is an aid stream that props up inefficient local highway operations. While both points may have relevance, it is clear that an aid allocation based on lane miles and vehicle registrations will not encourage consolidation or broaden the scale of local highway operations. A CHIPS funding incentive (either positive or negative) could be explored to encourage countywide highway service consolidation. For example, merged highway departments could be awarded additional aid, or CHIPS could be reduced or eliminated for highway operations below a certain scale.

4. Aid to Public Schools (Reorganization/Consolidation Incentive Aid)

Description: As part of school aid (totalling \$19.6 billion for 2007-08), several forms of aid intended to encourage consolidation (or reorganization) have long been provided. In addition, BOCES and the additional aid school districts receive when providing services through them is an incentive to use shared services.



Reorganization incentive building aid has long been provided to school districts that consolidate, giving them an additional reimbursement on top of regular building aid (which reimburses a portion of local expenses for building projects though a percentage based on district wealth and other factors). The State currently provides \$14.8 million in reorganization incentive building aid to 74 school districts (in comparison to \$ 1.75 billion paid out in regular building aid). Beyond this incentive aid, a merged district is able to choose among the reimbursement ratios historically used by all the component districts, which can even more dramatically increase building aid.

Another category of aid, reimbursement incentive operating aid has also long been provided. Owing to the large changes in the school aid formulas this year, a new reorganization incentive operating aid will be provided beginning in 2008-09, as an incentive for school districts that reorganize.

At several times in the past, grants have also been available for studies of school district reorganization.

Boards of Cooperative Education Services (BOCES) are regional bodies intended to function as vehicles for school districts; there are 37 BOCES across the State providing services ranging from special education to payroll. A separate BOCES aid category supports a varying share of school district costs incurred for BOCES services. In 2007-08, BOCES aid totals \$628 million.

Possible Changes to Promote Commission Goals: While school aid has long contained specific aid programs intended to encourage consolidation and shared services, it is very hard to gauge their effect (including whether the districts receiving such aid would have reorganized anyway without it, or whether stronger incentives would have generated more consolidations). In addition, the vast majority of school aid is paid out in ways that do not provide encouragement for an efficient scale of operations, and this large aid stream may even be considered to have the effect of propping up and maintaining school districts that are operating at an inefficient scale. The Commission will work with the Education Department and others to assess the effectiveness of the State's current aid incentives (as well as disincentives) to help to assist the Commission's consideration of potential reforms. A number of BOCES-related issues may come before the Commission, such as the performance of BOCES as a shared services vehicle or the feasibility of using the BOCES mechanism to provide shared services to other municipalities in addition to school districts. A BOCES-like model for municipalities has also been suggested.

5. Aid to Public Libraries

Description: The State provides \$102 million to 23 library systems and 754 individual public libraries across the State. The State Education Department has encouraged the creation of library districts which are governed by independently elected boards of trustees and generally have boundaries that correspond with those of school districts (although organized along school district lines, the degree of actual service sharing with school libraries varies). However, in Schenectady County, a county-wide library district has been established and is governed by a single board of trustees that oversees and



budgets library services at all library branches within the county. Depending on their organization, library budgets may or may not be subject to public vote.

Possible Changes to Promote Commission Goals: Further analysis in this area is necessary but the Commission and its partners could assess potential cost savings and efficiencies under a countywide or regional library service districts, and, if appropriate, consider recommending State aid changes that encourage this model. A local initiative on library consolidation will provide a model for evaluating these issues.

6. Social Services Administration Reimbursement

Description: The State provides more than \$500 million to 57 local social services districts (LSSDs) operating in each county to support a share of local costs incurred in administering public assistance programs. A number of other State reimbursement streams are also available to fund LSSD administrative and direct service costs incurred in areas such as child welfare and child support collection. Approximately two-thirds of this funding goes to New York City where most of the total welfare caseload resides. The remaining funds are distributed among the other 56 county social services districts, many of which have small public assistance caseloads but still incur significant administrative and overhead costs.

Possible Changes to Promote Commission Goals: To encourage efficiency in local administration of social services programs, the State could consider modifying its funding allocations to enhance reimbursement for the creation of multi-county LSSDs.

7. Environmental Protection Fund (Municipal Parks Grants)

Description: The Office of Parks, Recreation and Historic Preservation (OPRHP) currently provides \$21.2 million in Environmental Protection Fund grants to localities for the development of municipal parks, heritage areas and properties registered as historic places. Details on this grant program are available at: <http://nysparks.state.ny.us/grants/>.

Possible Changes to Promote Commission Goals: Grant selection criteria could be structured to give priority to proposals that involve the consolidation of municipal park services.

8. Environmental Protection Fund (Smart Growth Grants)

Description: The 2007-08 enacted Budget includes a \$2 million Smart Growth grant program that will provide funding to municipalities -- and not-for-profits working with municipalities -- for programs that promote planning and development that combines quality-of-life enhancements, such as open space/parks, walkable communities, and historic preservation -- and economic development. The Department of Environmental Conservation (DEC) is currently developing an RFP for municipalities to apply for this year's grants. The DEC will establish themes for a single- or multi-year period that target the funding to specific aspects of Smart Growth.



Possible Changes to Promote Commission Goals: Grant selection criteria could be structured to give priority to proposals that emphasize regional solutions.

9. Restore NY Communities Initiative

Description: The 2006-07 enacted State Budget included a \$300 million Restore NY Communities Initiative for the purpose of revitalizing urban areas and stabilizing neighborhoods as a means to attract residents and businesses, thereby improving municipal finances and the wherewithal to grow their tax and resource base. Program funding is available over three years: \$50 million in 2006-07; \$100 million in 2007-08; and \$150 million in 2008-09.

Restore NY will fund municipally-sponsored projects or assisted projects designed to accomplish the following:

1. Stabilization of residential neighborhoods or removal of obsolete commercial or industrial buildings through demolition or deconstruction; and
2. Attraction of new residents through construction and preservation or rehabilitation of existing residential properties and attraction of new commercial, industrial, retail, or mixed-use development to urban areas through rehabilitation or reconstruction.

Special consideration will be given to projects located in economically distressed urban areas, Brownfield Opportunity Areas, pilot “Quality Communities” or Empire Zones; those affected by recent and unusual flooding in June 2006 and designated as a federally declared disaster area; and communities with severe economic distress and/or dislocation.

The Empire State Development Corporation is currently developing a Request for Proposals to distribute the \$100 million allocation available in the 2007-08 State Fiscal Year.

Possible Changes to Promote Commission Goals: Grant selection criteria could be structured to give priority to proposals that involve intermunicipal cooperation and planning, regional needs, or serve urban centers.

10. State Aid Programs for Property Tax Assessment

Description: A variety of aid programs administered by the Office of Real Property Services (ORPS) support local assessing which together total about \$11 million annually. One of these aid programs encourages Coordinated Assessing Programs (CAPs) – a way of sharing services.

Aid is provided to encourage consistent, properly administered full-value assessment in localities across the State. This includes “Triennial Aid” of \$5 per parcel (maximum \$500,000 per assessing unit) is available for any community conducting a reassessment conducted at 100 percent of market value. In 2005, \$800,000 was provided through this



program to 55 assessing units. Those units that commit to maintaining assessments at 100 percent over a six-year period are eligible for “Annual Aid” of \$5 per parcel each year (again, capped at \$500,000 annually). In 2005, \$5.4 million was distributed to 247 units through this program.

Incentive aid is also provided to municipalities to participate in Coordinated Assessing Programs (CAPs) in which two or more municipalities agree to hire the same assessor and adopt the same level of property valuation. These one-time aid payments of \$7 per parcel are capped at a maximum of \$140,000 for each municipality. This aid is also available to two or more cities and/or towns that contract with a county for all assessment services, and share the same assessor (which may be a county employee). Any newly formed county assessing unit would receive the same \$7 per parcel aid. From 1995-2006, \$1.7 million has been provided to 49 coordinated assessing units that formerly comprised 115 separate assessing units.

In addition, ORPS has discretionary funds available for a grant program (\$1.9 M paid in FY 2005-06, \$530,000 paid FY 2006-07) that is currently used to encourage technology improvements the provisions of assessment data. More than 100 cities, towns and counties have participated in the grant program and, as a result, more assessment-related information is available online for taxpayers.

Possible Changes to Promote Commission Goals: Commission staff are working with ORPS to explore a refocus of its discretionary grant program to support efforts leading to county-wide assessment. To encourage more municipalities to gain the efficiencies and quality of service available through a broadened scale, or county-wide assessment, the Commission can explore revisions to the current aid programs to either increase aid for larger scale operations, or reduce/eliminate aid for smaller scale or duplicative assessment operations.

Informational Note: New York currently has 981 city and town assessing units and two county assessing units. An additional 151 of the State’s 554 villages assess property for village tax purposes – a duplicative function in that the towns in which these villages are located assess the same parcels. The State thus has 1,134 individual assessing units and (due to the continued existence of approximately 150 elected three-man-boards of assessors) 1,636 assessor positions. New York’s assessing arrangement is among the most fragmented in the nation. In a survey carried out by the International Association of Assessing Officers in 2000, only one state – Michigan – had more assessing jurisdictions than New York. More common is the county assessing model (used in 33 states), and at the far end of the spectrum, Maryland assesses at the state level.

