Office of the NEW YORK STATE

COMPTROLLER

Aid and Incentives for Municipalities:

New York State's Local Revenue Sharing Program

New York State Comptroller

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Introduction

For decades, New York State has provided most cities, towns and villages with unrestricted aid, usually called "revenue sharing."[1] This revenue stream differs from State aid provided for specific purposes, such as road improvements or downtown revitalization projects. Generally, local governments have discretion as to how these funds can be used. Aid and Incentives for Municipalities (AIM), first funded in the State fiscal year ending in (SFY) 2006, is the State's current revenue sharing program.

Revenue sharing incorporates two advantages. One is that the State's mix of revenues, especially the personal income tax (PIT), reflects more progressive taxation (where high earners pay larger shares) than some local revenue sources such as the sales tax. Adding State aid to the local revenue mix therefore can enhance equity. Moreover, unrestricted aid can be targeted to municipalities that have significant fiscal needs.

Although the State has shared revenue with local governments in some form since the 1700s, using revenue sharing as a means to direct aid to municipalities with greater fiscal and social needs emerged in the 1960s and 1970s. Since then, New York created and updated various programs to undertake this mission.

The introduction of the AIM program represented an effort to consolidate the State's various revenue sharing programs. However, increases in State funding for AIM stopped after only a few years. The State also eliminated aid to New York City in SFY 2011 and shifted AIM funding responsibility for most towns and villages from the State to counties (through annual withholdings from sales tax collections) in SFY 2020. The SFY 2023 Executive Budget proposes to restore direct State AIM funding for these towns and villages.[2]

Highlights

- New York State held AIM funding flat for eight years prior to reducing the appropriation by 8 percent ($59 million) to $656 million in SFY 2020, eliminating AIM funding for most towns and villages and replacing it with "AIM-related" payments.
- AIM was created by merging several previous revenue sharing programs.
- AIM funding goes mainly to cities, especially the "Big 4 cities" of Buffalo, Rochester, Syracuse and Yonkers, which together received $429.5 million in SFY 2022. As a class, cities outside of New York received almost 99 percent of AIM in SFY 2022, up from 91 percent in SFY 2019.
- After adjusting for the effects of inflation, AIM funding has declined 24 percent since 2011, when the State's real property tax cap was enacted.
- Some early increases in AIM payments were calculated based on local government need, but the State's response to the Great Recession put a halt to this, and no new formula was constructed to take need into account more comprehensively.

Adjusting for inflation, AIM funding has declined in value from the early allocations. While the amounts of aid granted to each local government were originally based on formula-driven revenue sharing programs, the current lack of any consistently applied formula that adjusts for the fiscal needs of municipalities limits the impact of AIM – a program designed, in part, to support financially challenged local governments.

This report provides an overview of revenue sharing; a discussion of AIM's impact on cities, towns, and villages; and an analysis of changes to the program and their effects on inflation-adjusted growth in AIM funding. The purpose of this report is to provide policy makers with information to assist with deliberations related to the future of this critical local revenue source.

Revenue Sharing Overview

The revenue sharing program in New York addresses the fact that the State and its local governments generate revenues in different ways – the State leverages the progressive personal income tax (PIT) to generate much of its revenue, with lower earners paying a lower tax rate than high earners.[3] In contrast, the most common sources of local revenue – real property taxes, sales taxes, and fee and fine revenues – are more regressive (impacting those with lower incomes more than those with higher incomes).[4] Combining the progressive State revenue stream with more regressive local revenues creates a more equitable basis for local spending.

Limits on city, village and town revenues may also make a revenue sharing program important. In particular, the property tax – generally the largest source of local government revenue – is subject to two constraints. The Constitutional Tax Limit restricts the amount of real property taxes that cities and villages can levy annually to no more than 2 percent of the five-year average full valuation of its taxable property, with some exclusions.[5] In addition, the State's real property tax cap generally limits the amount that local governments can increase the tax levy (without an override) to the lesser of 2 percent or the rate of inflation.[6]

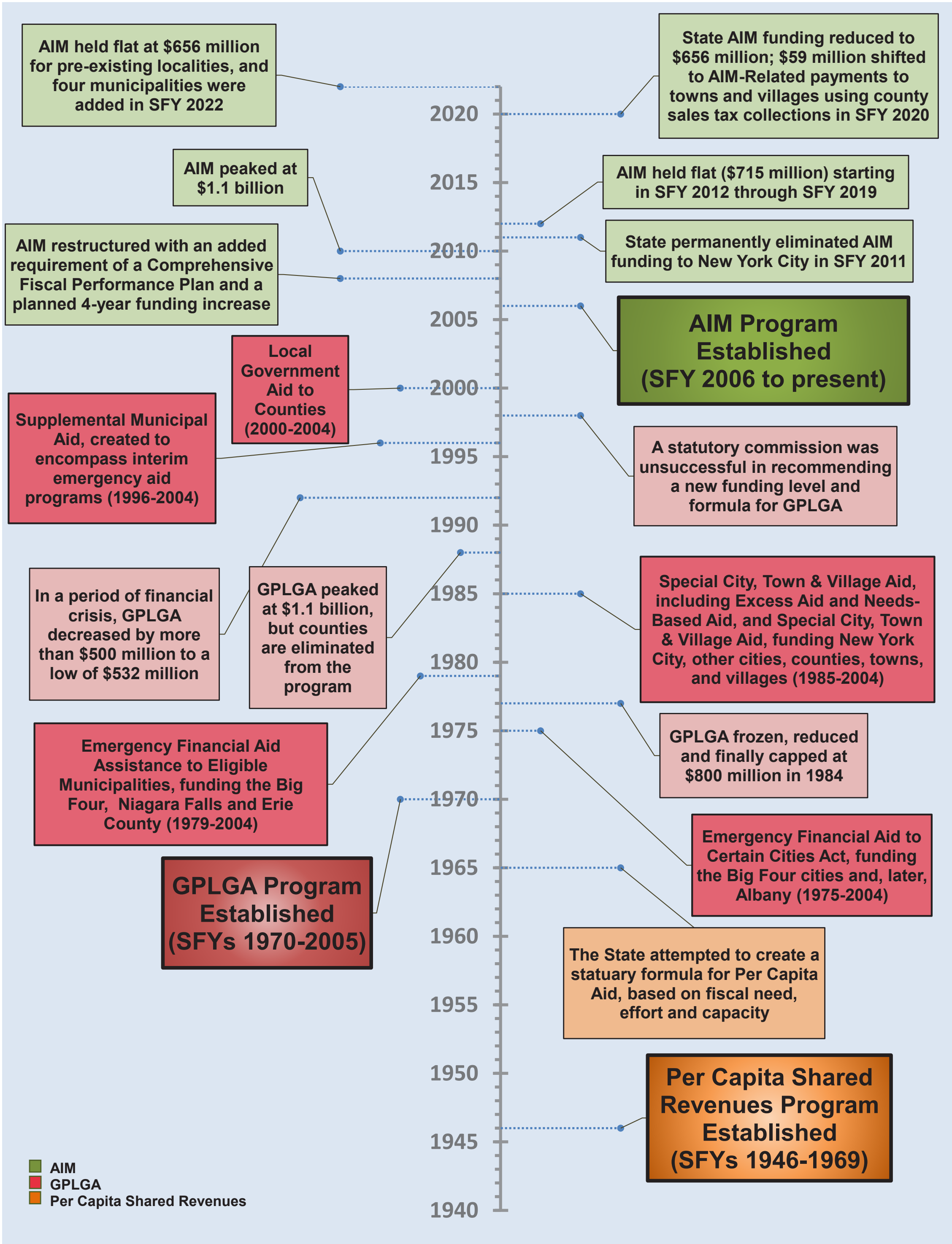
Revenue sharing has undergone several changes since its inception in 1946, when the State established the Per Capita Aid Program. In 1962, this program was redesigned to give additional aid to communities with higher fiscal burdens.[7] It was then transformed into the General-Purpose Local Government Aid (GPLGA) program in 1970. GPLGA was designed to distribute aid based on a percentage of PIT, such that aid would increase as PIT grew.[8]

Between 1970 and 2004, revenue sharing continued to evolve as several separate aid programs were created, each providing unrestricted aid to localities according to different formulas. GPLGA and five of these programs (Emergency Financial Aid to Certain Cities; Emergency Financial Assistance to Eligible Municipalities; Excess Aid and Needs-Based Aid and Special City, Town and Village Aid; Supplemental Municipal Aid; and Local Government Aid) were then merged in SFY 2006 to become the foundation of AIM.[9] (See Figure 1.)

Appendix A includes additional information about the early history of revenue sharing in New York.

Figure 1

Revenue Sharing in New York State: A Timeline



Source: Office of the New York State Comptroller (OSC) and New York State Division of the Budget (DOB)
Note: Three villages and a town were formed after the creation of the AIM program. The SFY 2022 Enacted Budget permanently amended the State Finance Law to include these local governments as AIM recipients. This increased AIM that year by $72 thousand.

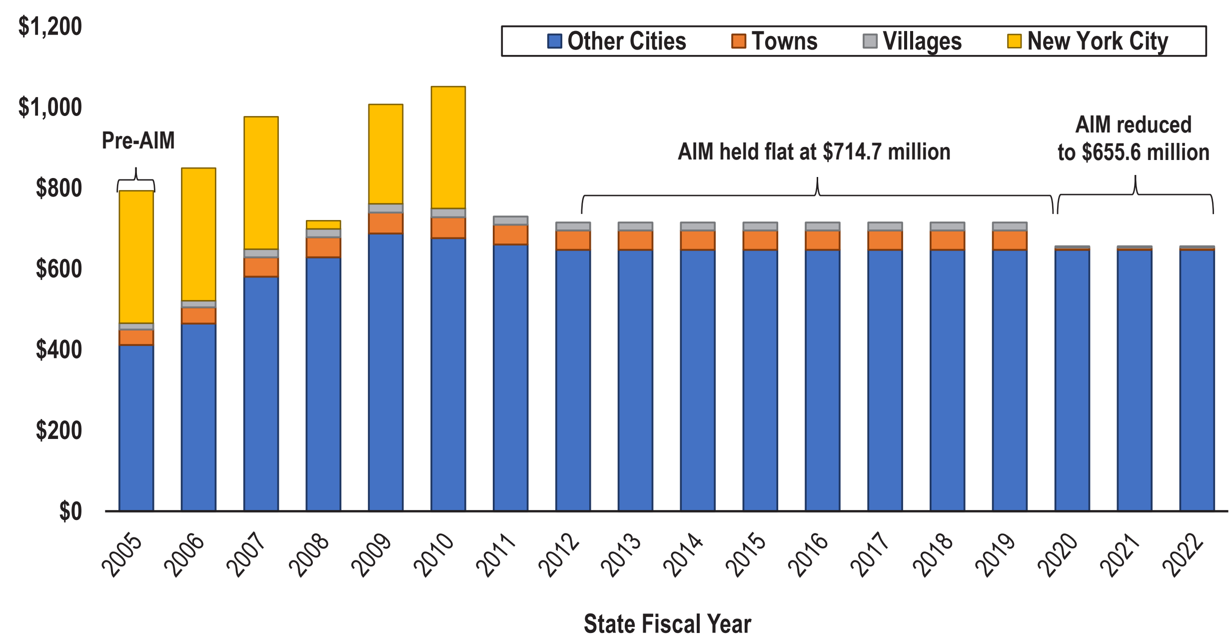
Aid and Incentives to Municipalities (AIM)

Background of AIM

The SFY 2006 Enacted State Budget created the Aid and Incentives for Municipalities (AIM) program, replacing a number of revenue sharing programs, each of which had targeted groups that often overlapped.[10] (See Appendix A.) Funded at $849 million (an increase of nearly $56 million, or 7 percent, from pre-AIM revenue sharing in SFY 2005), AIM combined six revenue sharing programs into one program, representing the largest appropriation of unrestricted aid to local governments in a decade.

Figure 2

AIM, SFY 2005 to SFY 2022 (in millions)



Sources: OSC and DOB.

AIM Parameters

Between SFY 2007 and SFY 2012, AIM was changed with each Enacted State Budget. (See Figure 2.) In SFY 2008, the State committed to $50 million increases in each of the next four years, for a total of $200 million in additional funding. This additional aid targeted fiscally distressed cities, with annual increases tied to four specific distress indictors:[11]

- Full valuation of taxable real property per capita less than 50 percent of the statewide average;
- More than 60 percent of the Constitutional Tax Limit exhausted;
- Population loss greater than 10 percent since 1970; and
- Poverty rate greater than 150 percent of the statewide average.

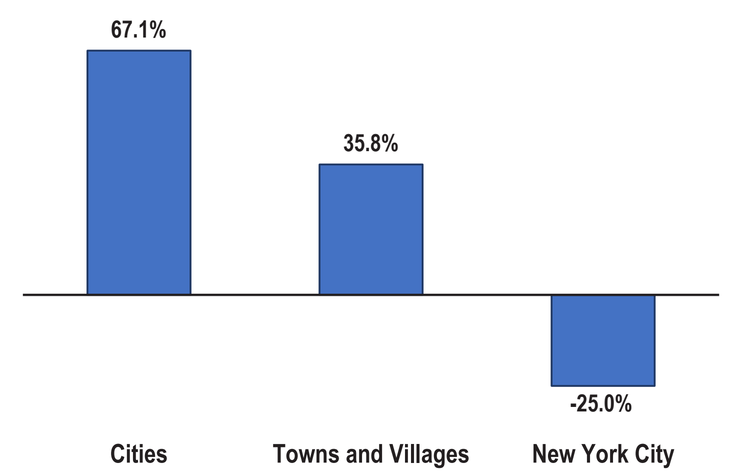
Cities and larger towns and villages with below-average taxable property wealth would receive annual increases between 5 and 9 percent, depending on how many indicators had been met. Smaller towns and villages that met at least one distress criterion were eligible for 5 percent funding increases. All municipalities which received $100 thousand or more in AIM (including all cities) were required to submit reports describing how AIM had been used in the previous year and how any additional aid would be used in future years.[12]

AIM for Cities Increased

Cities, excluding New York City, were the biggest beneficiaries of this increased funding. Between pre-AIM revenue sharing in SFY 2005 and the peak of AIM funding to cities in SFY 2009, they received an increase of 67 percent in unrestricted aid. (See Figure 3.) During this time period, New York City experienced a drastic drop in funding in SFY 2008 and a partial reinstatement in SFY 2009. Unrestricted aid to towns and villages also increased between SFY 2005 and SFY 2009, although at a lower rate (almost 36 percent).

Figure 3

Percentage Change in Revenue Sharing From Pre-AIM to AIM for Cities, Towns, Villages and New York City, SFY 2005 to SFY 2009



Sources: OSC and DOB.

Effects of the Great Recession on AIM

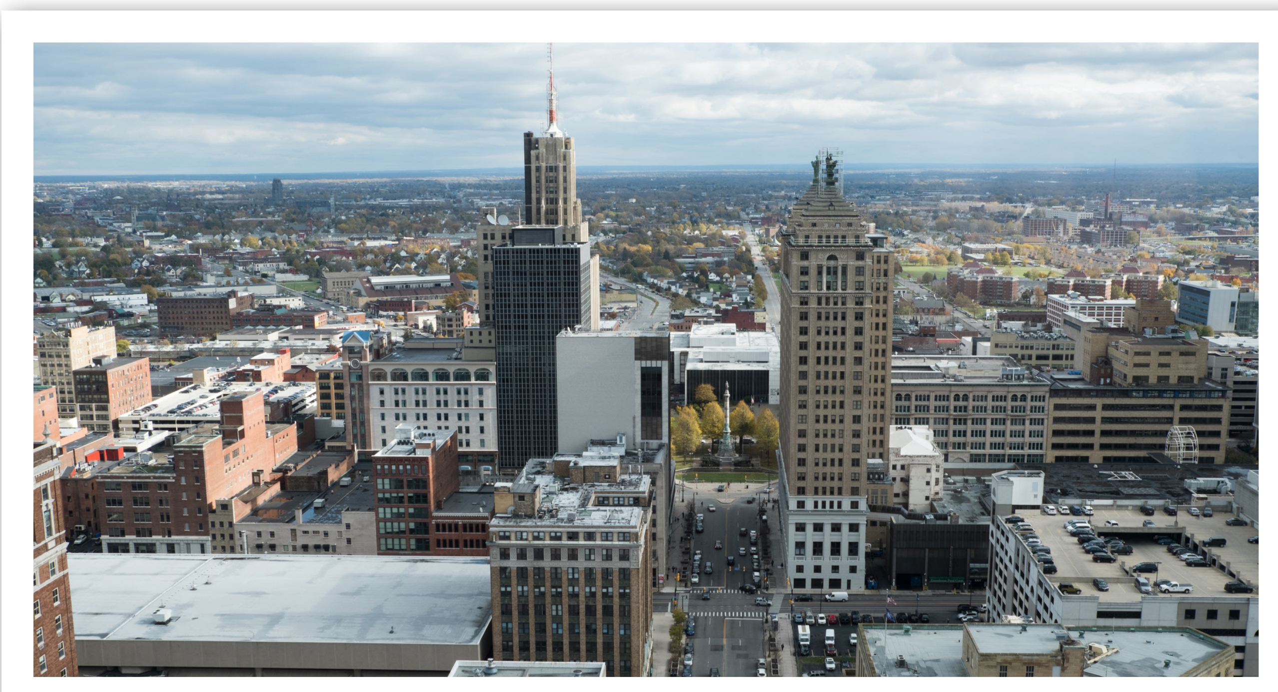
Between SFY 2009 and SFY 2012, AIM for cities, towns and villages outside of New York City was cut by $46 million (6 percent).

The SFY 2009 Enacted State Budget initially increased AIM for local governments, excluding New York City, by nearly $68 million, or 10 percent from the SFY 2008 appropriation. Later that year, AIM and other local aid programs were reduced as part of a midyear adjustment the State made in response to the fiscal impact of the Great Recession. AIM payments to cities were reduced midyear by $5.9 million.[13]

In SFY 2010, the State eliminated the planned $50 million AIM increase to local governments and reduced AIM payments by $5.7 million. Midyear adjustments that year reduced cities' AIM payments even more – by an additional $5.3 million. The following year's SFY 2011 Enacted State Budget reduced AIM funding to cities, towns and villages again, this time by $20.3 million.[14] Finally, the SFY 2012 Enacted State Budget reduced AIM payments to cities, towns and villages by an additional $14.6 million.[15]

AIM Funding Flat

Between SFY 2012 and SFY 2019, State funding for AIM was unchanged for cities, towns and villages. In SFY 2020, the State reduced AIM by eliminating more than 90 percent of towns and villages from the AIM program, while the remaining AIM funding to cities, towns and villages remained flat through the SFY 2022 Enacted State Budget, with the exception of the addition of four localities that year.[16]

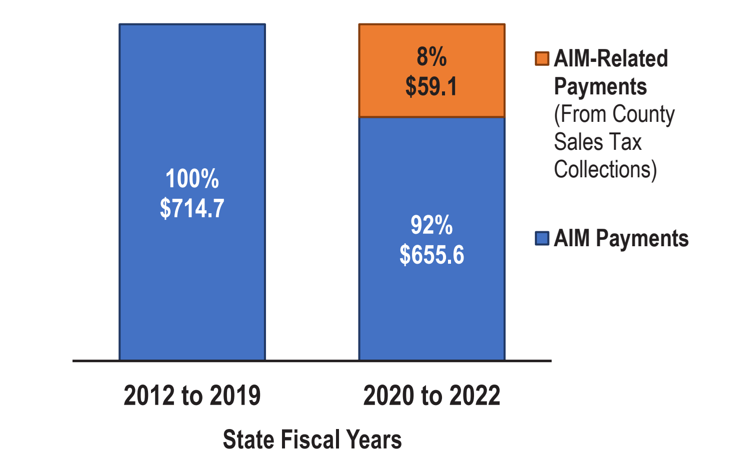


AIM-Related Payments Established

The SFY 2020 Enacted Budget reduced State funding for AIM by $59.1 million, or 8 percent of total AIM payments. AIM funding was reduced to $656 million by eliminating State payments to 1,325 towns and villages determined to be less reliant on AIM revenues.[17] Instead, the State intercepted the amount of the AIM reduction from county sales tax collections to fund "AIM-related" payments to the impacted towns and villages.[18] (See Figure 4.) The size of the AIM-related payment to each town and village was equal to the AIM payment it had received in SFY 2019.

Figure 4

County Sales Taxes Intercepted to Fund AIM-Related Payments Starting in SFY 2020



Sources: OSC and DOB.

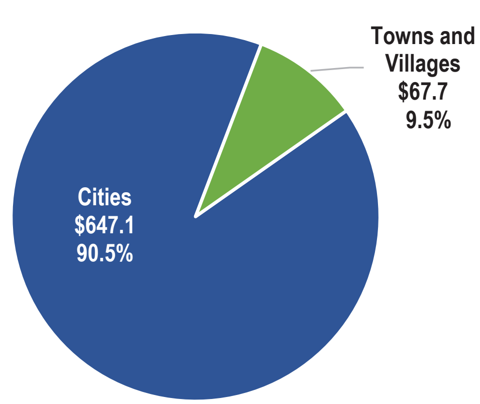
AIM For Cities

Cities outside of New York City have long been the primary beneficiaries of AIM, receiving nearly 91 percent of total AIM funding from SFY 2012 to SFY 2019. (See Figure 5.) Since the elimination of State AIM payments to most towns and villages in 2019, cities have received almost 99 percent of AIM funding.

The historic rationale for providing higher funding for cities is that they generally experience greater fiscal need than towns and villages. Many cities are disadvantaged relative to their surrounding suburban towns and villages because of lower per capita full property values, reducing cities' revenue options.

Figure 5

Distribution of AIM by Class of Local Government, SFY 2012 to SFY 2019 (in millions)



Sources: OSC and DOB.

Cities often have relatively high poverty rates, which are associated with low labor market participation and higher crime, both of which affect the fiscal status of cities.[19] Additionally, despite some population gains from 2010 to 2020, the majority of New York cities have suffered a decades-long decline in population, leading to a loss of fiscal capacity as well as an increase in economic distress.[20] Reflecting this, AIM increases in the SFY 2008 Enacted State Budget were tied to high poverty rates, low property values, proximity to the Constitutional Tax Limit (CTL) and population decline.[21]

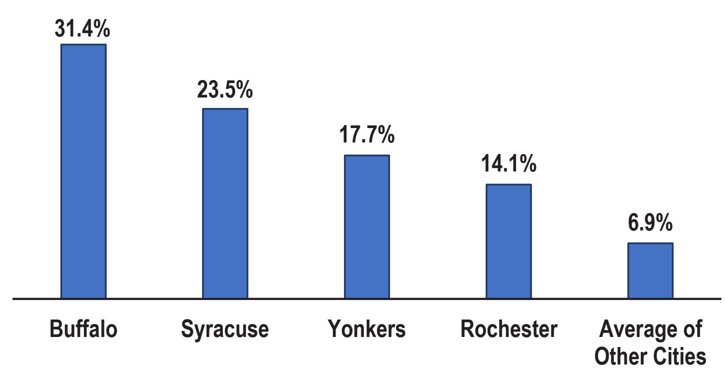
Because cities have become the focus of the State's revenue sharing programs, they tend to have a high reliance on this revenue, with an average of nearly 13 percent of their revenues coming from these sources in local fiscal year (FY) 2019. Comparatively, State revenue sharing funds comprise 0.3 and 0.7 percent of total revenues in towns and villages, respectively.[22]

The Big Four Cities

The "Big Four" cities of Buffalo, Rochester, Syracuse and Yonkers receive an especially large share of their revenues from State revenue sharing programs. Buffalo has the highest reliance, with these revenues responsible for 31.4 percent of total revenues for FY 2019.[23] Syracuse, Yonkers, and Rochester also have a high reliance, at 23.5 percent, 17.7 percent and 14.1 percent, respectively. The reliance on State revenue sharing funds in other cities varies, averaging slightly less than 7 percent of their total revenues in SFY 2019. (See Figure 6.)

Figure 6

Revenue Sharing as a Percentage of Total Revenues for Cities, in FY 2019



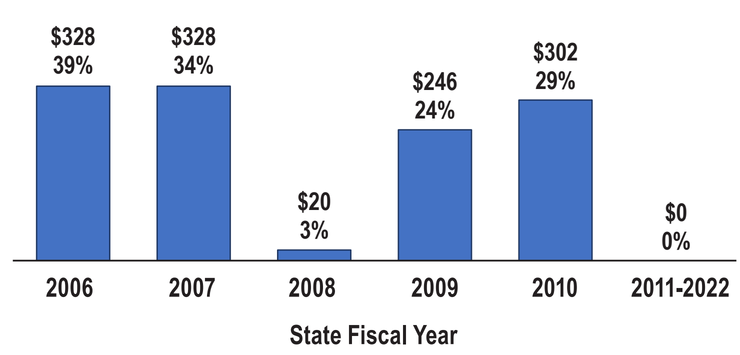
Sources: OSC and DOB.

New York City

Compared to other cities in the State, New York City has very high property values, its own personal income tax and – despite large numbers of people in poverty – significant wealth that can be taxed. This may explain, in part, why AIM payments made to the City have been variable. In SFY 2005, before the AIM program was implemented, New York City received over 41 percent of total unrestricted State aid for local governments. As total AIM funding increased over the first few years of the program, the City's share remained unchanged until it dramatically fell to 3 percent of the total in SFY 2008. In SFY 2009, its share rose to 24 percent and then to 29 percent in SFY 2010, but by SFY 2011 the State eliminated the City's AIM funding completely, and it has never been reinstated. (See Figure 7.)

Figure 7

AIM Funding for New York City as a Percentage of Total AIM Funding, SFY 2005-06 to SFY 2021-22 (in millions)



Sources: OSC and DOB.

AIM For Municipalities Other Than Cities

A report issued by the Office of the State Comptroller in 2008 noted that the State's revenue sharing allocations were based on outdated municipal classifications that did not take into consideration similar structural, demographic and financial characteristics of differently categorized municipalities.[24] For instance, many villages provided many of the same services as cities but had not significantly benefited from aid increases. More than 250 villages that fall into this category would have been eligible for significantly more revenue sharing if their aid had been based on similar variables as that of cities.

The report suggested that State policy makers consider undertaking a comprehensive review of revenue sharing based upon revised criteria that focus less on what a municipality is called and more on the services it provides, the needs of its residents and its economic and financial condition.

SFY 2023 Executive Budget Proposals

The SFY 2023 Executive Budget proposed $715 million in AIM funding. This is unchanged for most municipalities, but would restore direct State funding for the towns and villages whose funding was shifted to AIM-related payments in SFY 2020.[25]

AIM Growth Comparisons

Inflation

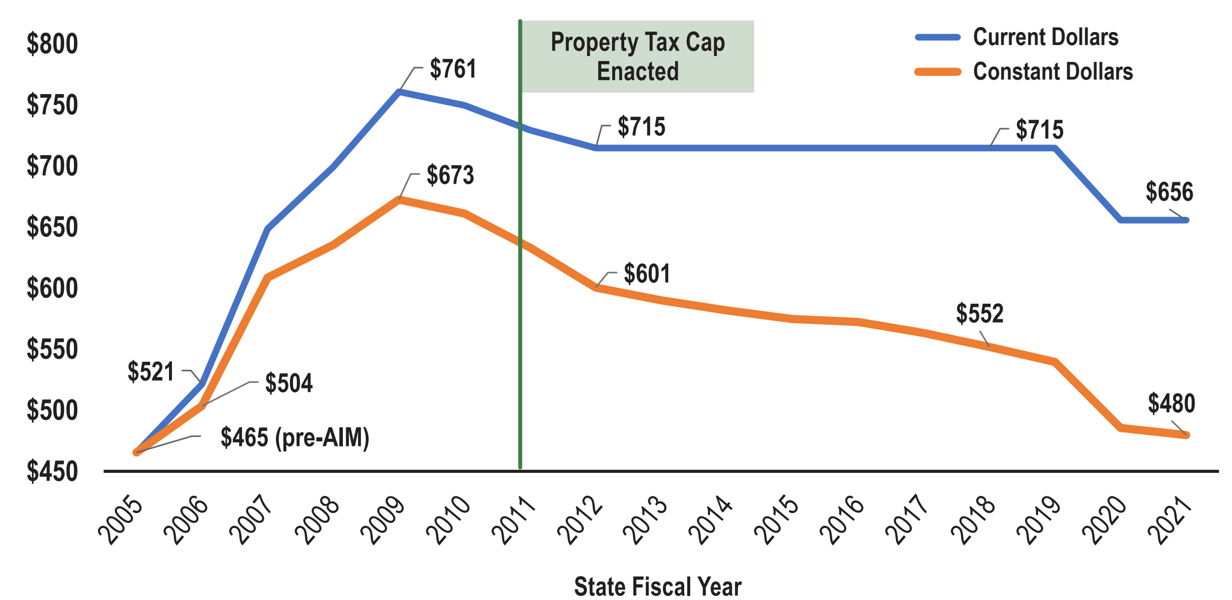
Inflation is an important measure when evaluating funding streams. In general, it is defined as the increase in the price of goods and services in an economy over time.[26] Higher inflation means that revenues are worth less since, as prices increase, local governments can buy less with the same dollar.

Figure 8 shows the variation in State support for AIM since SFY 2005, comparing the nominal value of the funding in the year it was authorized (Current Dollars) to its real value after adjusting for inflation, using SFY 2005 as the baseline (Constant Dollars). When the effects of inflation are considered, the erosion in the value of AIM funding becomes apparent. The dollar's buying power has declined nearly 27 percent since SFY 2005. Measured in Constant Dollars, AIM funding is close to where it was before the enactment of the program and is worth less than it was during the first year of AIM. Also of note, after adjusting for the effects of inflation, AIM funding has declined by $153 million or 24 percent since 2011, when the State real property tax cap was enacted. The tax cap restricts property tax levy growth to the lesser of two percent or the rate of inflation, with some exceptions. The steady decline in AIM funding on a constant dollar basis since 2011, combined with the tax cap, have contributed to the fiscal pressures facing local governments.

After several years of low inflation, local governments are also now grappling with substantially higher inflation. In the 12 months ending in January 2022, inflation was 7.5, the highest level since the 12-month period ending February 1982.[27] This will mean that a continuation of the same current dollar funding of AIM would decline even more rapidly in inflation-adjusted terms.

Figure 8

Impact of Inflation on AIM Funding, SFYs 2005 to 2021 (in millions)



Sources: OSC, DOB, and U.S. Bureau of Labor Statistics.
Note: Excludes New York City and AIM-related payments funded by county sales collections since 2019.

AIM and Measures of Local Government Need

Early increases in AIM were based on a "distress" formula which included four measures of need: high poverty rates; loss of population; percentage of Constitutional Tax Limit exhausted; and low full property values. Each of these factors limit a local government's ability to generate resources and, therefore, to provide services. In this analysis, these distress measures were used to establish the level of economic need of a city. In theory, cities exhibiting such distress may need more aid. When these variables are normalized and combined, cities can be placed within quintiles from highest to lowest overall need.[28]

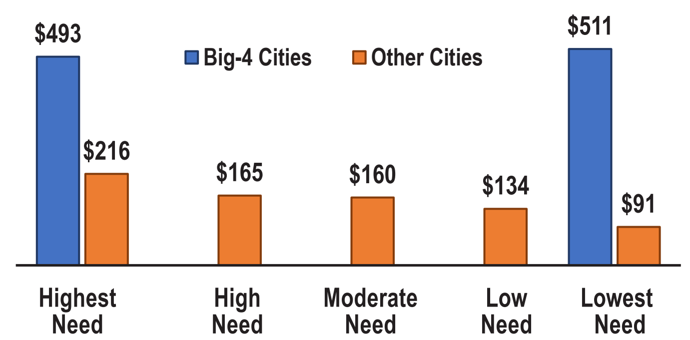
Figure 9 shows that cities experiencing the highest need as assessed by taking an average AIM per capita per need category, excluding the Big Four, receive more than twice as much AIM per capita than those at the lowest need level. However, the distribution for high, moderate and low need cities outside the Big Four have much smaller differentials in AIM per capita.

Three of the Big Four cities – Buffalo, Rochester, and Syracuse – are included in the highest need category. However, even for this category, they receive more AIM per capita, averaging $493 per resident, than the average of highest need smaller cities.

Amsterdam, Dunkirk, Hornell, Salamanca and Watertown are among the highest need cities, but receive less AIM per capita than Buffalo, Syracuse or Rochester. This demonstrates the significant impact the population of cities has on the determination of AIM. (See Figure 10.) For instance, by these measures, Yonkers ranks in the lowest need category yet receives $296 more per capita than an average of the highest need small cities, reflecting the targeting of unrestricted aid for the State's largest cities.

Figure 9

Average AIM per Capita for Cities, by Need Quintile



Sources: OSC, DOB, U.S. Census.
Note: Excludes New York City.

Figure 10

AIM per Capita for the Highest Need Cities

City	AIM Per Capita
Buffalo	$579
Syracuse	$483
Rochester	$418
Niagara Falls	$366
Rome	$283
Utica	$247
Troy	$239
Watertown	$191
Hornell	$181
Amsterdam	$157
Salamanca	$157
Dunkirk	$124

Sources: OSC and DOB.

These per capita figures also demonstrate the general historical pattern of providing municipalities with the same amount of aid received in the previous year, rather than periodically calculating new amounts based upon updated data or revised formulas. Moreover, when the State provided additional aid, especially to New York's largest cities through new unrestricted aid programs in the 1970s, 1980s and 1990s, it was generally added to these "frozen" allocations. When AIM consolidated the various unrestricted aid programs, allocations to specific municipalities reflected this pattern, rather than using an updated formula, to incorporate then current economic, demographic and financial circumstances. (See Appendix A for more information.)

Conclusion

New York State has provided unrestricted State aid to local governments since at least 1946 through a variety of programs. Some of these programs have been geared toward increasing the equity and reliability of local government funding by targeting municipalities with greater fiscal and social needs.

The SFY 2008 changes to AIM were implemented to provide the largest percentage increases in aid to those municipalities with lower tax capacities, higher poverty rates, CTLs approaching exhaustion and declines in population.[29] Ultimately, however, the commitment to linking aid to current need was set aside, and annual AIM allocations were generally frozen at prior year levels, with some exceptions. As a result, inflation has eroded the value of aid that municipalities receive each year.

The State has recognized the need to share revenue with local governments, especially with cities that have seen their tax bases erode due to demographic and other changes. However, the commitment of the State's resources to revenue sharing has been inconsistent, in terms of overall funding amounts, allocation determinations, and treatment of different classes and units of local governments.

At this time, local governments have the unique opportunity and challenge of how to most effectively utilize one-time federal financial aid to recover from the impacts of the COVID-19 pandemic, while adequately preparing for the years ahead when that funding is no longer available. Concurrently, the State has an opportunity – and a responsibility – to meet its long-standing commitment to provide a meaningful level of support to its local governments through revenue sharing. State policy makers, in collaboration with their partners in local governments, should assess what has worked with its unrestricted aid programs in the past, identify where improvements are needed, and work to implement those solutions, so that the needed investments in our communities across the State are made.

Appendix A: History of Revenue Sharing

Since 1946, the State has implemented several programs that incorporated some aspects of revenue sharing, including the Per Capita Aid Program (1946-1970) and General-Purpose Local Government Aid (1970 – 2004). To understand the forces driving the development of AIM, it is helpful to know the program's historical roots. (For a historical overview of revenue sharing in the State, see Figure 1 and Figure 11.)

Per Capita Aid Program, 1946-1970

Prior to 1946, the State shared tax revenues in a variety of ways before it developed a distributive Per Capita Aid Program, which allocated a set amount of funding based on population to cities, towns and villages. This program was intended to stabilize local finances and reduce property taxes.[30]

In 1962, the Temporary State Commission on Per Capita Aid modified the program by creating a new formula that considered the fiscal effort of a local government providing essential services and granted more aid to communities with higher fiscal burdens, including counties.[31] The Commission found that governments, even within a single class, vary in their ability to finance services. In 1965, as a reflection of those changes, a new general-purpose aid statutory formula was established to calculate aid based on fiscal need, effort and capacity indicators.[32] This formula, however, still failed to use any measure of fiscal effort to direct more money to the local governments that provided greater services.[33]

New Federalism

Federal unrestricted aid to local governments gained a foothold during the Nixon Administration (1969 to 1974), in a policy initiative called the New Federalism. This General Revenue Sharing (GRS) program combined both the advantages of national revenue collection and local discretion over spending.[34] Several states, including New York, concurrently developed funding programs with a more robust emphasis on general purpose aid in the 1970s.[35]

General-Purpose Local Government Aid (GPLGA), 1970-2004

In 1970, the State enacted General-Purpose Local Government Aid (GPLGA), an unrestricted per capita revenue sharing program which allocated a fixed percentage of State revenue in the form of general-purpose aid to counties, cities, towns and villages based on class, population and full value of real property data.[36] While this program increased the amount of revenue sharing, it did not change the method of allocation to local governments. The new funds were shared in the same proportion as existed under the Per Capita Aid Program. [37] The GPLGA program was designed to be a predictable source of aid to help municipalities fund mandated services and reduce the pressure on local property taxes. GPLGA was to be distributed based on a percentage of personal income tax (PIT) revenues and would grow with this revenue source.[38]

However, the State altered the GPLGA revenue sharing formula prior to its initial implementation. The original legislation envisioned a distribution of aid equaling 21 percent of PIT revenues. However, before the program even began, allocations were cut to 18 percent of PIT receipts.[39]

In 1980, GPLGA was capped at $801 million, and distributions were subsequently kept flat for decades.[40] Meanwhile, several separate aid programs were created in addition to the GPLGA program, with each providing unrestricted aid to localities.

- The Emergency Financial Aid to Certain Cities Act (Municipal Overburden Aid) was passed in 1975, to provide extra assistance to the Big Four cities - Buffalo, Rochester, Syracuse and Yonkers.[41] Cities with a population of at least 125,000 but less than one million which financed a school system as well as a general city government and were at or near their constitutional tax limits were included in this aid category. The population requirement was lowered in 1977 to 100,000 to include Albany, and in SFY 1992, the formula was modified to account for a city's population, tax burden and percentage of exempt properties.[42]

- The State established another unrestricted aid category in 1979, Emergency Financial Assistance to Eligible Municipalities. This program aided eligible localities including Buffalo and Yonkers, as well as Niagara Falls and Erie County. Rochester and Syracuse were added in 1980. Funding was diverted to cities facing fiscal difficulties due to constitutional tax limits.[43]

- In addition to the GPLGA Program, two general-purpose aid categories were added in 1985: Excess Aid and Needs-Based Aid, providing $30.4 million and $38.8 million respectively. In addition, a Special City, Town and Village Aid, an aid category which had existed since 1981, was incorporated into law in 1985.[44] Counties, New York City, and other cities, towns and villages were eligible for this aid (based on level of community distress and capacity as measured by needs criteria).

- After reaching a peak of nearly $1.1 billion in 1989, revenue sharing programs were reduced by half in the 1990s.[45] Counties were eliminated from the program after 1989.[46]

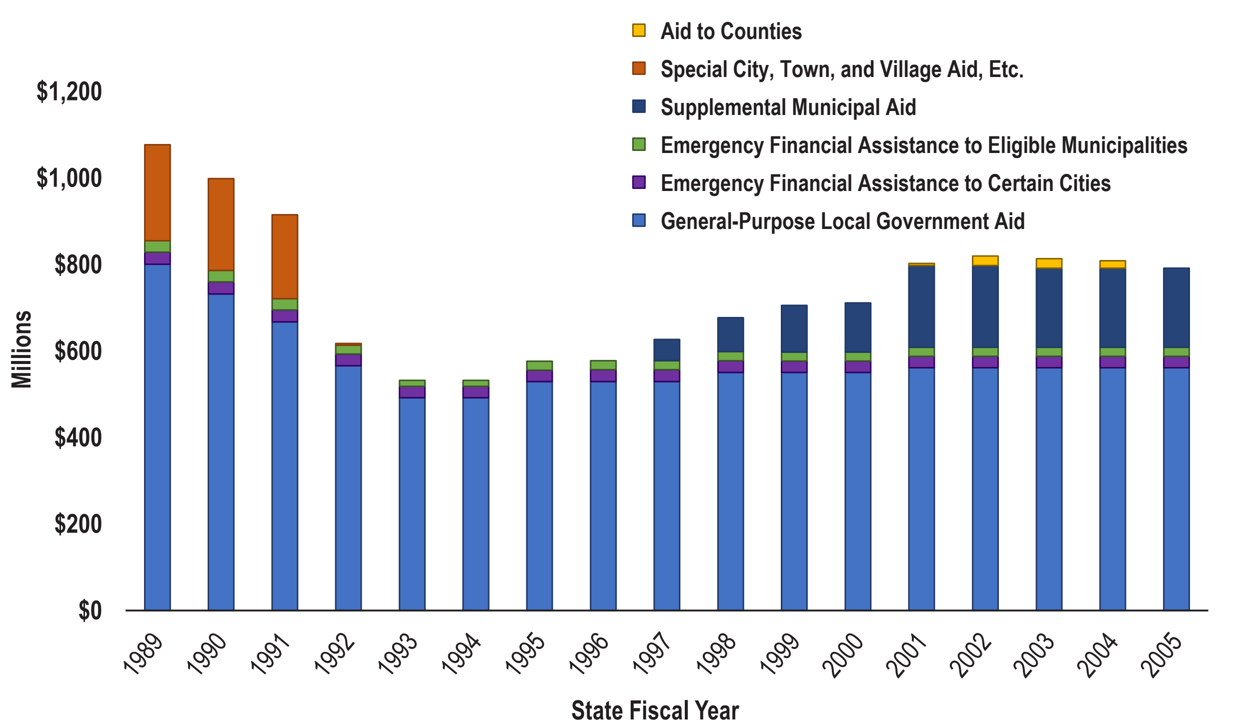
- Supplemental Municipal Aid (SMA) was established in 1996 to encompass interim emergency aid programs, including Additional Emergency Financial Assistance to Eligible Municipalities, Special Financial Assistance to Certain Municipalities and Additional Financial Assistance to Certain Municipalities. SMA primarily aided cities and a smaller number of counties, towns and villages.[47]

- Finally, a small aid program was created in 2000. The Local Government Aid to Counties provided unrestricted aid to offset the cost of the Family Health Plus insurance program.[48] This program expired in SFY 2004.

- In the years between SFY 1995 and SFY 2005, there were few changes to the funding levels for these programs, and as a result, New York did not provide local governments with predictable general-purpose aid which grew in proportion to State revenues. A statutory commission intended to recommend a new funding level and formula for revenue sharing was disbanded during State budget negotiations in 1998, before it had made any recommendations.[49] With the exception of the addition of separate aid programs, GPLGA was held flat through SFY 2005.[50] (See Figure 11.)

Figure 11

Unrestricted Aid to Local Governments, SFY 1989 to SFY 2005



Sources: OSC and DOB.
Note: Special City, Town and Village Aid includes two additional general-pourpose categories, Excess Aid and Needs-Based Aid.

Notes

[1] New York State Division of the Budget (DOB), *1970-71 Enacted Budget Mid-Year Financial Plan Update*, p. 22, at **www.budget.ny.gov/pubs/archive/historicalFP/enacted/MidYear7071.pdf**.

[2] DOB, *New York State Executive Budget Financial Plan, FY 2023*, p. 131, **www.budget.ny.gov/pubs/archive/fy23/ex/fp/fy23fp-ex.pdf**.

[3] Office of the New York State Comptroller (OSC), *2020 Financial Condition Report for Fiscal Year Ended March 31, 2020*, "Total Receipts," at **www.osc.state.ny.us/reports/finance/2020-fcr/total-receipts**; New York State, *Tax Law, Chapter 60, Article 22, Personal Income Tax and Department of Tax and Finance*; and New York State Department of Taxation and Finance, *Instructions for Form IT-201, Full-Year Residential Income Tax Return*, p. 57, at **www.tax.ny.gov/pdf/current_forms/it/it201i.pdf**.

[4] Stupak, Jeffrey and Donald Marples, *Consumption Taxes: An Overview*, Congressional Research Service, January 14, 2016, p. 12, at **sgp.fas.org/crs/misc/R44342.pdf**.

[5] New York State Constitution (Article VIII, Section 10); DOB, *Financial Terminology*, "Constitutional Property Tax Limits," at **www.budget.ny.gov/citizen/financial/glossary-all.html#constitutional_property_tax_limits**.

[6] OSC, *Real Property Tax Cap and Tax Cap Compliance*, at **www.osc.state.ny.us/local-government/property-tax-cap**.

[7] Moore, Paul, "General-Purpose Aid in New York State: Targeting Issues and Measures," *Publius*, Spring 1989, vol. 19, no. 2: 17–31, at **www.jstor.org/stable/3330437**, p. 20; OSC, *A Brief History of General Purpose State Aid to Local Governments*, December 1993, pp. 1-2.

[8] OSC, *Local Government Issues in Focus: Revenue Sharing in New York State*, vol. 1, no. 2, February 2005, p.4, at **www.osc.state.ny.us/files/local-government/publications/pdf/rev_sharing.pdf**; Moore, p. 22; OSC, *A Brief History*, p. 2; *New York State Finance Law Article 4-A, Section 54; and Chapter 142, Laws of 1970* as quoted by Moore, p. 22.

[9] OSC, *A Brief History;* OSC, *Revenue Sharing in New York State,* pp. 2-3.

[10] New York State, Chapter 56 of the Laws of 2005, Part M, Section 2; see also New York State Finance Law, Article 4-A, Section 54(10).

[11] OSC, *State Fiscal Year 2007-08 Budget Analysis*, May 2007, p. 74, at **www.osc.state.ny.us/files/reports/budget/pdf/budget-enacted-2007-08.pdf**; DOB, *SFY 2007-2008 Local Government Assistance*.

[12] OSC, *State Fiscal Year 2007-08 Budget Analysis*, pp. 74-75.

[13] DOB, *2008-09 Enacted Budget AIM Run*, at **www.budget.ny.gov/pubs/archive/fy0809archive/enacted0809/localities/local/fy0809stateaid/AidforMunicipalities.pdf**, and 2009-10 Executive Budget AIM Run, at **www.budget.ny.gov/pubs/archive/fy0910archive/eBudget0910/fy0910localities/local/fy0910stateaid/AidforMunicipalities.pdf**.

[14] DOB, *2010-11 Enacted Budget AIM Run*, at **www.budget.ny.gov/pubs/archive/fy1011archive/enacted1011/1011localities/2010-11enactedAIM_allMunicipalities.pdf**.

[15] DOB, *2011-12 Enacted Budget AIM Run*, at **www.budget.ny.gov/pubs/archive/fy1112archive/enacted1112/2011-12EnactedBudgetAIMRun.pdf**.

[16] See *Enacted Budget Reports* for State Fiscal Years from 2011-12 to 2019-20 at OSC, Local Government Publications, at **www.osc.state.ny.us/local-government/publications**.

Notes

[17] The 2019-20 Enacted State Budget reduced traditional AIM program funding by eliminating payments to towns and villages where AIM funding represented less than 2 percent of total expenditures. See OSC, *Account Code for Aid and Incentives for Municipalities (AIM) - Related Payments*, December 2019, revised January 2020, at **www.osc.state.ny.us/files/local-government/publications/pdf/account-code-for-aim-related-payments.pdf**.

[18] OSC, *Report on the State Fiscal Year 2019-20 Enacted Budget*, September 2019, pp. 35-36, at **www.osc.state.ny.us/files/reports/budget/pdf/budget-enacted-2019-20.pdf**.

[19] U.S. Government Accountability Office, *Poverty in America*, p. 2, at **www.gao.gov/assets/gao-07-343t.pdf.**

[20] Michael Manville and Daniel Kuhlmann, "The Social and Fiscal Consequences of Urban Decline: Evidence from Large American Cities, 1980–2010," November 11, 2016, pp. 452-453, at **https://journals.sagepub.com/doi/10.1177/1078087416675741**; OSC, *2020 Census: Municipal Population Shifts in New York State*, November 2021, at **www.osc.state.ny.us/files/local-government/publications/pdf/2020-census-municipal-population-shifts-in-new-york-state.pdf**.

[21] DOB, *2007-2008 Aid and Incentives for Municipalities (AIM)*, at **www.budget.ny.gov/pubs/archive/fy0708archive/fy0708local/aim.html**.

[22] Funding from the State's revenue sharing programs is captured in the unrestricted State aid that local governments report to OSC in their annual financial reports. While unrestricted State aid primarily consists of AIM funding, some towns and villages may also include other State revenue sharing aid. Local FY 2019 annual financial report data are used in this section because the State withheld some AIM funding to local governments in SFY 2020, which is reflected in the unrestricted State aid that was reported by local governments in local FY 2020.

[23] Reliance in this analysis refers to AIM funds as a percentage of total revenue. DOB calculates reliance as AIM funds as a percentage of total expenditures.

[24] OSC, *21st Century State Aid Formulas: Revenue Sharing*, February 2008, **www.osc.state.ny.us/files/local-government/publications/pdf/researchbrief.pdf**.

[25] DOB, *New York State Executive Budget Financial Plan, FY 2023*, p. 131.

[26] U.S. Federal Reserve, "What Is Inflation and How Does the Federal Reserve Evaluate Changes in the Rate of Inflation?", at **www.federalreserve.gov/faqs/economy_14419.htm**.

[27] U.S. Department of Labor, Bureau of Labor Statistics, "Economic News Release: Consumer Price Index Summary," February 10, 2022, at **www.bls.gov/news.release/cpi.nr0.htm**.

[28] Statistical z-scores (which put each measure on the same standardized scale) were generated for each variable and then combined to create one "need" score. Individual z-scores for each measure represent the distance above or below the mean for each city expressed in standard deviation units.

[29] DOB, *SFY 2007-2008 Local Government Assistance*.

[30] Moore, p. 20; OSC, *A Brief History*, pp. 1-2.

[31] Moore, pp. 21-22. Note: The Commission was renamed the Commission on State-Local Fiscal Relations and was charged with distributing the funding increases proposed by Governor Nelson A. Rockefeller.

[32] OSC, *A Brief History*, pp. 1-2.

[33] Moore, p. 22.

Notes

[34] Conlan, Timothy, From New Federalism to Devolution: Twenty-five Years of Intergovernmental Reform (Washington: Brookings Institution Press, 1998), pp. 19-21, 65, quoted in Natalie Love, *Federal Grants to State and Local Governments: A Brief History*, Congressional Research Service, March 13, 2008, at **www.everycrsreport.com/files/20080313_RL30705_9336749fc7fd5833e2640dec81810448704d26e9.pdf**.

[35] Advisory Commission on Intergovernmental Relations, *The State of State-Local Revenue Sharing*, M-121, December 1980, at **library.unt.edu/gpo/acir/Reports/information/M-121.pdf**.

[36] *New York State Finance Law, Article 4-A, Section 54*.

[37] Moore, p. 22.

[38] OSC, *Revenue Sharing in New York State,* p. 4.; Moore, p. 22; OSC, *A Brief History*, p. 2; and *New York State Finance Law Article 4-A, Section 54 and Chapter 142, Laws of 1970*.

[39] OSC, *A Brief History*, p. 2-3, and *New York State Finance Law Article 4-A, Section 54 and Chapter 142, Laws of 1970* as cited in Moore, p. 22.

[40] OSC, *A Brief History*, p. 3 and Moore, p. 22.

[41] *New York State Finance Law*, Section 54-c.

[42] OSC, *A Brief History,* p. 3 and OSC, *Revenue Sharing in New York State*, p. 3.

[43] OSC, *A Brief History*, p. 4 and OSC, *Revenue Sharing in New York State*, p. 3.

[44] OSC, *A Brief History*, p. 5.

[45] OSC, *Revenue Sharing in New York State*, p. 4.

[46] OSC, *A Brief History*, p. 10.

[47] OSC, *Revenue Sharing in New York State*, p. 3.

[48] Ibid.

[49] Ibid, p. 4.

[50] Ibid, see Figure on p. 3.

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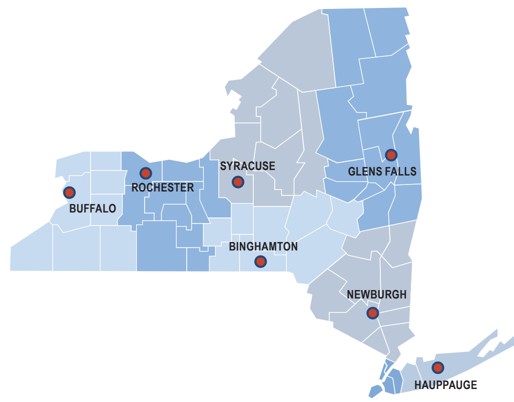

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