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KATHY SHEEHAN
MAYOR

February 13, 2023

Hon. Liz Krueger
Chair
New York State Senate Finance Committee
416 Capitol
Albany, NY 12247

Hon. Helene E. Weinstein
Chair
New York State Assembly Ways and Means Committee
LOB 923
Albany, NY 12248

Sent electronically via financechair@nysenate.gov and wamchair@nyassembly.gov

Dear Chairperson Krueger and Chairperson Weinstein,

Thank you for the opportunity to provide testimony about the City of Albany and Governor Hochul's 2023-24 Executive Budget to the New York State Senate Finance Committee and New York State Assembly Ways and Means Committee.

Attached is the testimony and an accompanying information packet. Thank you for your attention regarding the vital needs of New York's Capital City.

Sincerely,

Kathy M. Sheehan
Mayor, City of Albany

CC. Hon. Neil Breslin, Vice President Pro Tempore, New York State Senate
Hon. Patricia Fahy, Member, New York State Assembly
Hon. John McDonald, Member, New York State Assembly

Thank you to Chairpersons Krueger and Weinstein for the opportunity to discuss issues pertaining to the City of Albany.

I also want to thank the Senate Finance Committee, the Assembly Ways and Means Committee, and our Capital City delegation. Senate Vice President Pro Tempore Neil Breslin, Assemblymember Patricia Fahy, and Assemblymember John McDonald work closely with us on various issues and initiatives, but in particular our financial challenges. While I know Assemblymember McDonald no longer represents the City of Albany due to redistricting, I am thankful he continues to advocate for the Capital City's most vital needs.

I have joined you every year since 2014 to make the case that Albany is treated like no other city, and you have listened.

I am thankful to the Senate and Assembly for supporting our Capital City Funding ask for six consecutive years. I am also thankful to Governor Hochul for including, for the first time, this crucial funding in her FY22-23 Executive Budget and for doing so once again this year.

Slide 2 of your packet outlines why we are asking you to help make this the final time I come here to share the fundamental injustices borne by our city.

To keep police officers and firefighters on the streets, the garbage picked up, and our drinking water safe, we need predictable, non-property tax revenue to maintain the level of services our residents, our businesses, and our visitors – including the thousands of State employees who travel into the City each day – have come to expect.

Help us do that by making Capital City Funding and the Empire State Plaza PILOT permanent.

Help us by tying these two payments to the tax cap each year.

And help us by providing the certainty our City needs and our residents deserve.

Slide 3 is a testament to how I have worked in good faith with this body and the Governor's Office to keep a promise I made in 2014: if the State permanently rectifies this blatant unfairness, the City will do the rest. I said we will

tighten our belt, become more efficient, and manage to the 2% tax cap and the inevitable cost increases associated with running a city – and we have done just that. We have held spending growth to 1.88% per year since 2013 – and this includes outsized expenditures during the pandemic, and \$14 million of expenses in 2021 to settle long outstanding labor contracts for our dedicated civil servants.

As you can see in Slide 4, we have held the line on spending while keeping our headcount flat, breaking-even during an uncertainty-ridden 2021, and completing a pay equity study to make our non-union salaries more competitive – something that is especially important when the State offers our talented workforce higher wages to come across the street. You might think rising sales taxes should alleviate this inequity, but keep in mind nearly 8% of that 11% increase is attributable to inflation.

You might also think the American Rescue Plan Act is helping us, and it is, but Slide 5 outlines how more than two-thirds of our allocation has been encumbered on one-time expenses. We settled our long-expired police union contract, we provided premium pay to our frontline heroes, we purchased a second set of turnout gear for our firefighters, and we provided \$25 million in grants to make transformative investments in our community.

As you see on slide 6, 75% of that grant funding has been awarded for affordable housing, affordable homeownership, community spaces, and direct services in Albany's historically underserved neighborhoods – including the South End, the neighborhood most negatively impacted by the building of the Plaza we sit in today. The other 25% of that funding will help our small businesses and our hard-hit arts and tourism organizations.

Slide 7 illustrates that regardless of population, density, or poverty rate, Albany receives less State Aid per capita than other cities – and that's after receiving \$12.5 million in Capital City Funding.

Slide 8 outlines an even starker reality: compared to the other large cities in the State, Albany receives substantially less State Aid per person in poverty. When I came into office in 2014, our poverty rate was approximately 25%. That rate has decreased through hard work, but how is Albany expected to fulfill our constitutional mandate to provide services to our most underserved residents when the City is receiving far less State Aid compared to our peers?

You might think Albany should just raise taxes. And in wanting to be self-reliant within the confines of the property tax cap, we have. Property tax growth has averaged approximately 1% annually during my tenure as Mayor.

Slide 9 shows that due to factors both unique to Albany and outside of the City's control, Albany already has a higher local tax burden relative to its taxable property base. The other large cities in the State have local tax burdens approximating \$20 per thousand, while Albany's is nearly \$33 per thousand. We cannot ask our taxpayers to shoulder any significantly higher level of local taxation – it's simply not fair.

New York State owns more than \$6.5 billion worth of real property in Albany, as shown in Slide 10. Let me say that another way: **New York State owns more property than the City of Albany's entire taxable property base.** If even half of the property the State owned was taxable, Albany would receive more than \$32 million in tax revenue – \$15 million more than the State is obligated to pay us under Public Lands Law.

Slide 11 shows the only city that comes anywhere close to our level of tax-exempt property is Syracuse – but they also receive PILOTS from Syracuse University and Destiny Mall, totaling millions of dollars.

(Slide 12) Remember: New York State law requires we receive a \$15 million PILOT from the State for the Empire State Plaza – but, as you see on slide 12, that PILOT is about one-quarter of the payment we would receive if the property was taxable. It is also important to remember that PILOT will be cut in half in 2031 and runs out completely in 2033.

I close today with a simple ask: please keep the \$15 million in Capital City Funding in the State Budget, make it permanent, and index both these payments that are vital to maintaining City services to the tax cap.

Let's work together to end the fiscal inequity Albany faces, once and for all.

Thank you.

ALBANY
for all.

Powered by Pride & Potential

2023 New York State Budget Testimony
Albany Mayor Kathy Sheehan



What Albany Needs

- Predictable and increasing non-property tax revenue for the City to maintain fiscal stability so we can provide our residents, daily commuters, and other visitors the level of services they deserve into the future

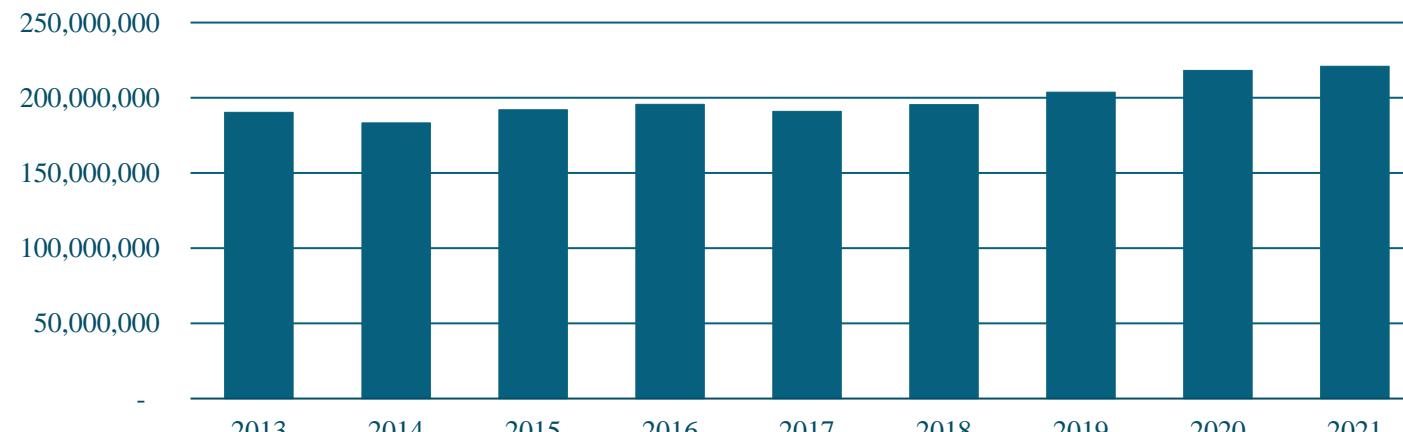
How You Can Help

- Make the Empire State Plaza PILOT and Capital City funding permanent
- Increase these two payments by the 'allowable levy growth factor' (tax cap) each year

Commitment to Prudent Fiscal Management

- Since I was first elected Mayor in 2013, the City has averaged expenditure growth of just 1.88% annually
- Albany possesses “strong financial management policies with well-embedded practices.” -S&P Global, March 2022

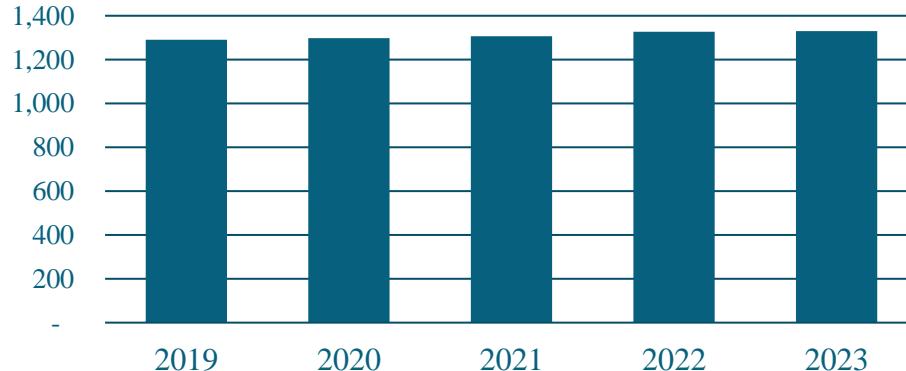
City of Albany Expenditures



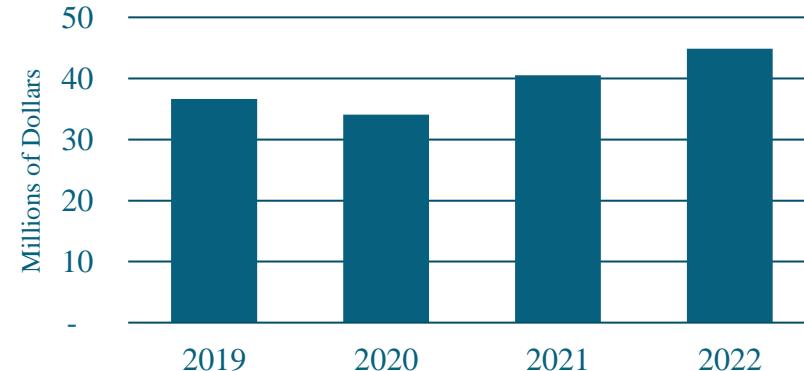
Commitment to Prudent Fiscal Management

- 2021 Operations were Break-Even
- 2022 Sales Tax Collections are up 10.7%, but 7.5% was due to inflation
- Maintaining city employee headcount at approximately 1,300
- Completed Pay Equity Study to Right-Size Salaries

Authorized Employee Headcount



Sales & Use Tax Collections



American Rescue Plan Act

\$81 million Allocated to the City

- \$14 million to Settle Collective Bargaining Agreements
- \$11 million for COVID Revenue Losses
- \$4 million for COVID Premium Pay to Frontline Workers
- \$1 million for Fire Department PPE
- \$25 million for Albany for All grant program

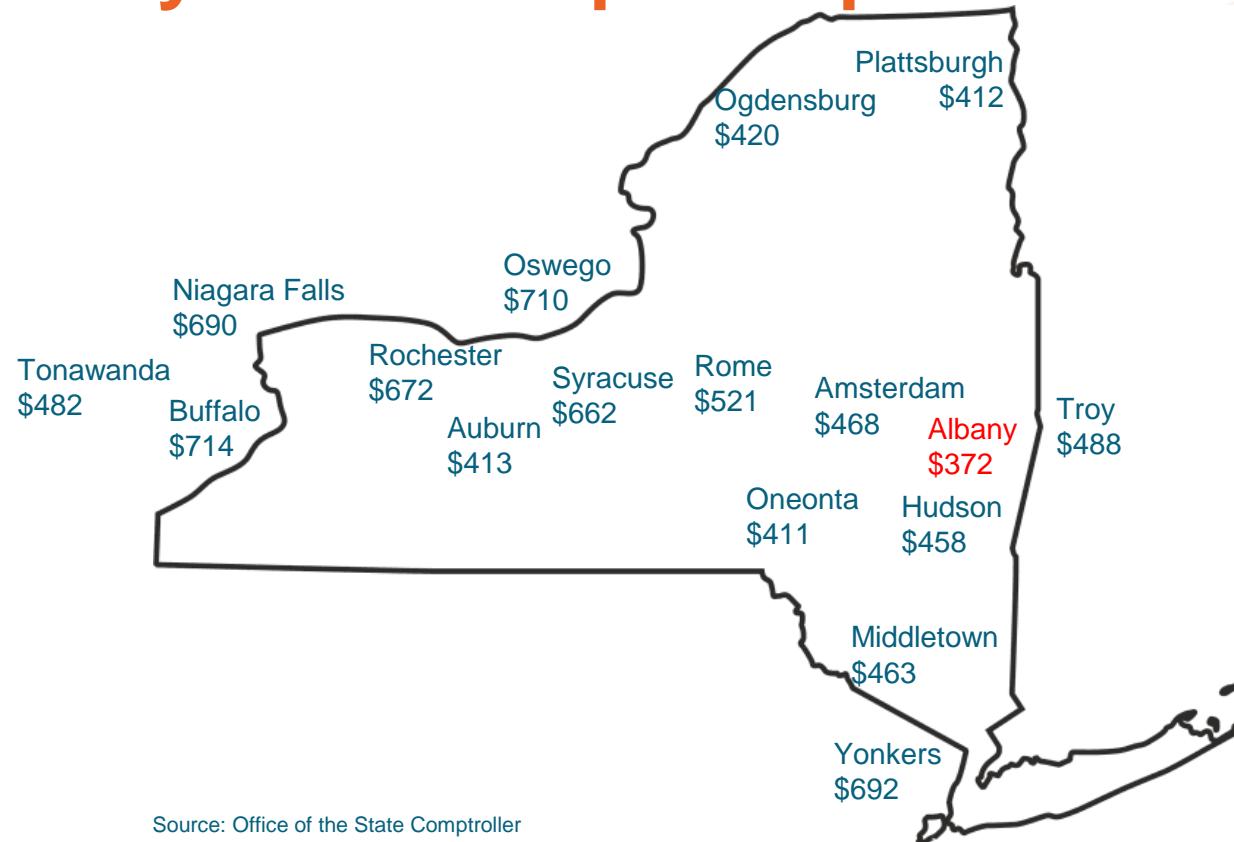




\$25 Million Albany for All Program

- ❖ 35 funded projects
- ❖ 75% of funding - \$18 million:
 - Affordable housing
 - Affordable homeownership
 - Community spaces
 - Direct services in Albany's neighborhoods of highest need
- ❖ 25% of funding - \$7 million:
 - Assisting small businesses and the City's hard-hit arts and tourism organizations

2021 City State Aid per Capita



2021 State Aid Per Person in Poverty

<u>City</u>	<u>Population</u>	<u>Poverty Rate</u>	<u>Persons in Poverty</u>	<u>State Aid/ Person in Poverty</u>
Albany	99,224	21.7%	21,532	\$1,714
Yonkers	211,569	13.2%	27,927	\$5,243
Buffalo	278,349	27.6%	76,824	\$2,588
Rochester	211,328	29.3%	61,919	\$2,293
Syracuse	148,620	30.1%	44,735	\$2,201
New Rochelle	79,726	10.3%	8,212	\$2,054
White Plains	59,559	8.4%	5,003	\$1,896

Albany Cannot Tax Its Way Out



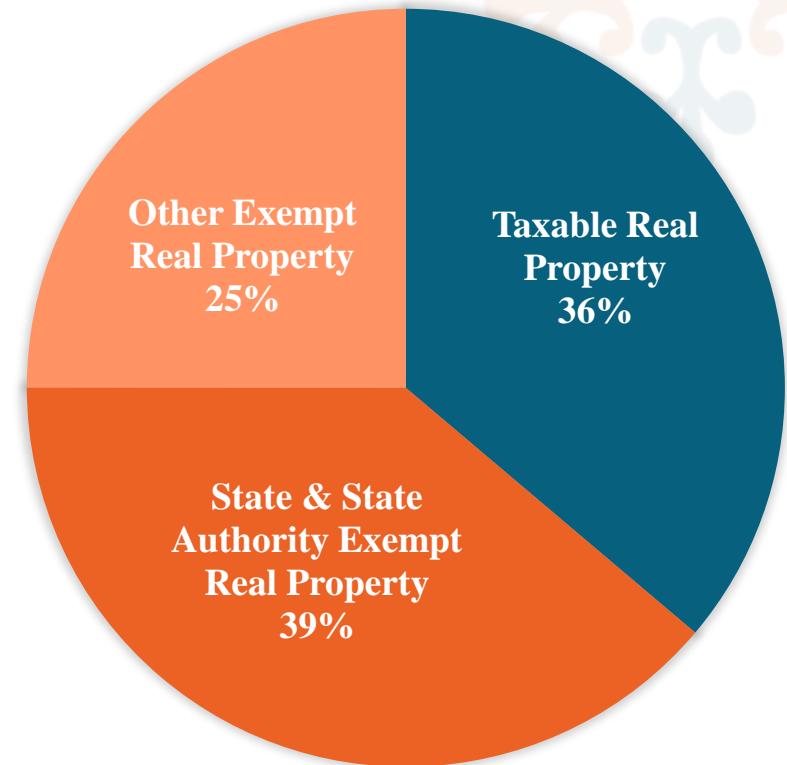
<u>City</u>	<u>Full Equalized Value (Billions)</u>	<u>City RPT Levy</u>	<u>School RPT Levy</u>	<u>Total Local Tax</u>	<u>Local Tax per \$1,000 FEV</u>
Albany	\$5.230	\$59,178,211	\$112,571,319	\$171,749,530	\$32.84
Buffalo	\$13.013	\$79,743,505	\$63,903,427	\$143,646,932	\$11.04
Syracuse	\$5.108	\$35,869,867	\$61,247,086	\$97,116,953	\$19.01
Yonkers	\$21.471	\$191,658,759*	\$241,609,591	\$433,268,350	\$20.18
White Plains	\$10.736	\$64,232,340	\$182,643,232	\$246,875,572	\$22.99
Rochester	\$7.549	\$66,905,983	\$110,630,679	\$177,536,662	\$23.52
New Rochelle	\$11.308	\$64,885,673	\$204,659,378	\$269,545,051	\$23.84

*Yonkers Levy Includes City Personal Income Tax

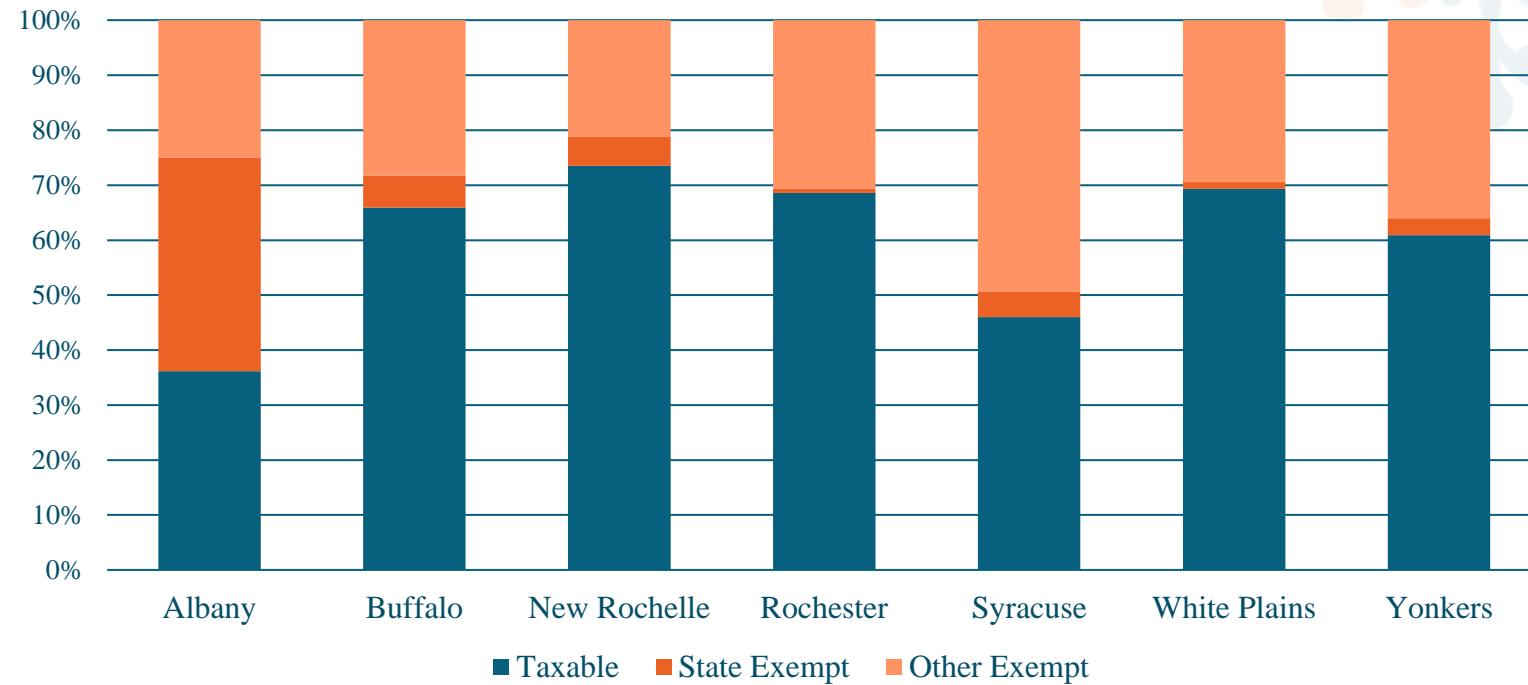
Source: Office of the State Comptroller

Tax Exempt Property in the City of Albany

- 64% of all real property in the City is Tax Exempt
- New York State and its Authorities own over \$6.5 billion of real property in Albany
- **New York State and its Authorities own more than the City of Albany's entire taxable property base**

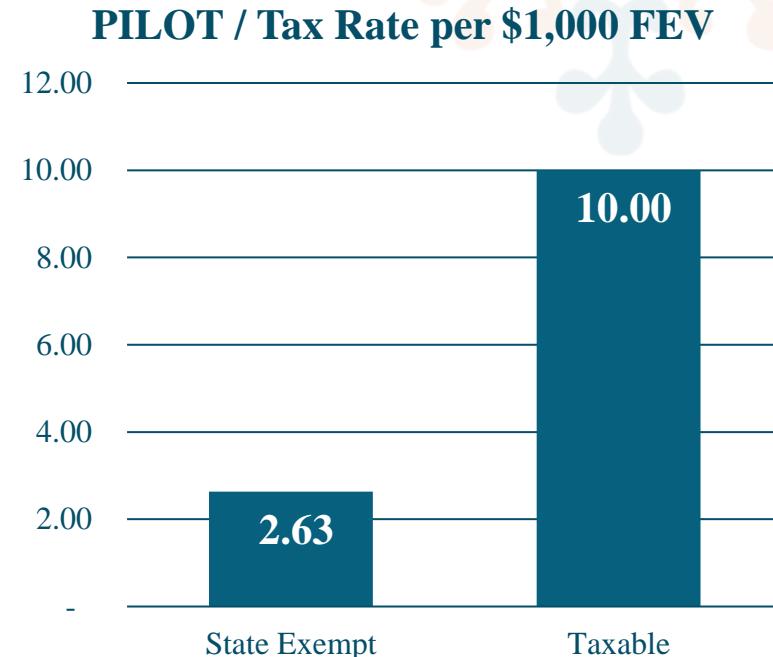


A Uniquely Albany Problem



A Uniquely Albany Problem

- The State provides Albany with \$17 million in annual PILOT payments for its \$6.5 billion of property
- This equates to \$2.63 per \$1,000 of value
- Most of this amount is the statutorily-required \$15 million Empire State Plaza PILOT that has and is scheduled to remain flat for 14 years (SFYs 2018-31)



What Albany Needs

- Predictable and increasing non-property tax revenue for the City to maintain fiscal stability so we provide our residents, daily commuters, and other visitors the level of services they deserve into the future

How You Can Help

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- Increase these two payments by the 'allowable levy growth factor' (tax cap) each year