

Local Government Revenue

General-purpose local governments and school districts use a host of revenue sources to fund their services and responsibilities. This paper examines the sources of local government revenues, how the various levels of local government compare, and how much money is involved. The data used was annual financial data (AFD) from the Office of the New York State Comptroller; specifically, level two data from 2013 to 2023 for cities, counties, towns, villages and school districts.¹

There are prominent sources of revenue. Sources that routinely make news feeds and are uppermost in taxpayer minds, like property taxes, sales tax, use taxes, gross receipts, governmental fees, and state & federal aid. There are privileged sources that only go to some and must be continually renewed by the State, like the Hotel Occupancy Tax. There are sources related to a specific service, such as the 911 Surcharge. Still more are geographically limited and industry-related, like OTB surcharge, Harness Racing Admissions Tax. And there are obscure revenue sources: Automobile Use Tax; Tax on Admissions and Dues; Flat Racing Admissions Tax. The cities of Peekskill, Yonkers and New York have been granted a local income tax.

This paper focuses on property taxes, sales tax, use tax, fees, and state & federal aid. These categories are shared most widely among the various levels of local government and constitute the bulk of local governmental revenues. All of revenue sources are presented in the appendix, in aggregate and using the level 2 OSC categories.² The aim of this paper is to compare and contrast how local governments fund their operations.

Revenue Categories

Below are five prominent revenue categories: property taxes, sales tax, state aid, federal aid, and fees. Subsequently, nearly a dozen lesser revenue categories and individual sources are given a brief review.

Real Property Tax

School districts and towns are the most reliant on property taxes. Property taxes constitute only about one fifth of city and county revenues.

- Property taxes account for 23% of city revenues and have averaged \$1.3 billion per year.
- Property taxes account for 21% of county revenues and have averaged \$5.8 billion per year.
- Property taxes account for 45% of town revenues and have averaged \$4.3 billion per year.
- Property taxes account for 41% of village revenues and have averaged \$1.5 billion per year.

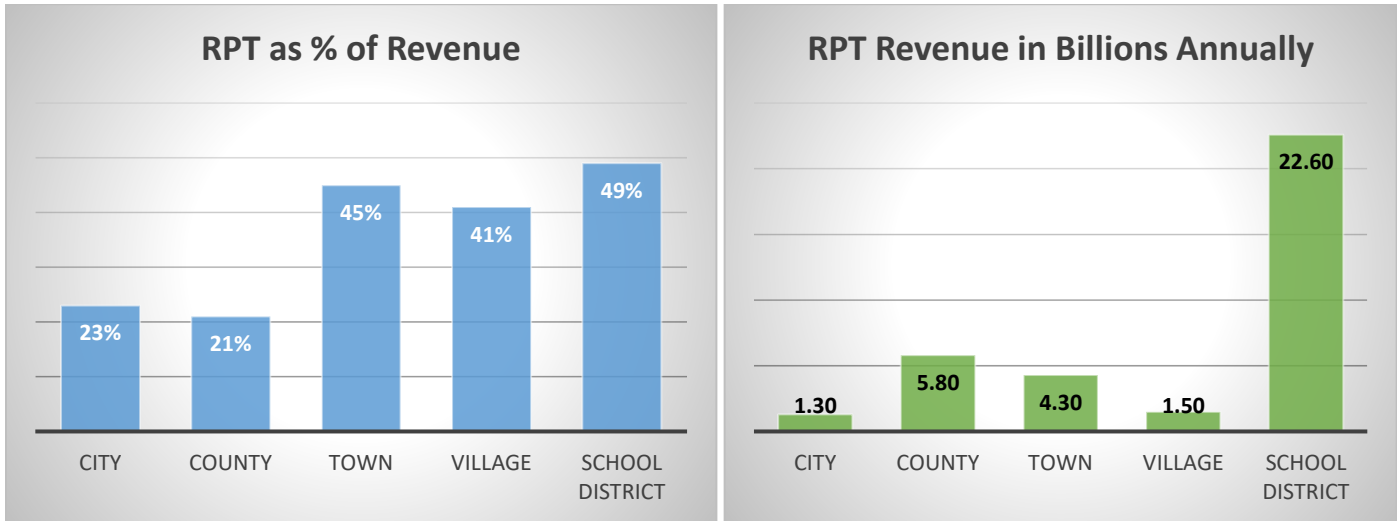
STAR payments by the state to school districts have gone from \$2.5 billion in 2014 to \$1.6 billion in 2023. The amount of STAR revenue has fallen over \$873 million in unadjusted dollars. In 2016, the state switched from a real property tax exemption to a state income tax credit.

¹ Not included were: New York City; “Bond Anticipation Notes Redeemed from Appropriations;” and “Other Local Revenues, Miscellaneous Revenues,” the latter of which is made of such disparate sources as: Video Lottery Terminal Tribal State Compact Moneys, Opioid Settlement Funds, Microsoft Settlement, etc.

² Again, not including “Bond Anticipation Notes Redeemed from Appropriations;” and “Other Local Revenues, Miscellaneous Revenues.”

- Property taxes, which includes STAR payments by the State, account for 49% of school districts revenues and have averaged \$22.6 billion per year.

When viewed from the perspective of property taxes as a percentage of total revenue towns (45%), villages (41%), and school districts (49%) appear similar. However, the amount of revenue generated is so disparate as to belie any similarity.



Sales Tax

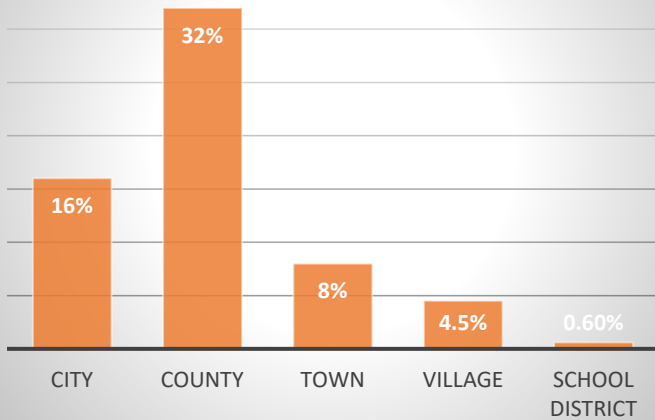
New York has state sales tax of 4%, and allows cities and counties to collect a local option sales tax of up to 4.875%. Sales tax constitutes a third of total county revenues and 16 percent of city revenues. Sales taxes contribute single percentage points to town, village and school district revenues.

Local Option Sales Tax	Number of Counties
4.00%	30
4.13%	3
4.25%	4
4.38%	4
4.50%	3
4.75%	11
4.88%	6

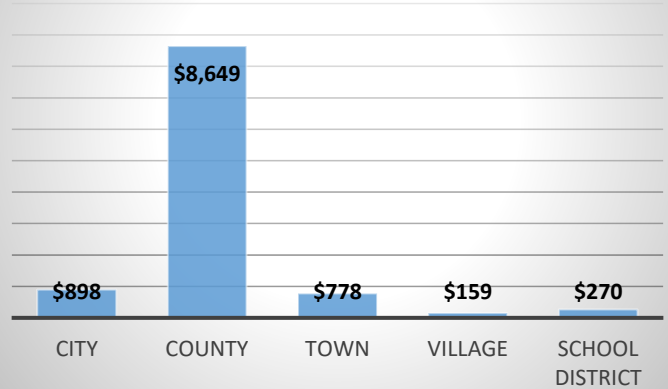
Westchester county and the counties that make up the City of New York have the highest sales tax – a 4.88% local option sales tax. Alone, Westchester County took in \$ 882 million in 2023, which is more than 10% of the entire county take. Altogether, counties took in \$10,895,201,072 in sales tax revenues in 2023 – more than \$10 billion.

- Sales tax accounts for 16% of city revenue, and has averaged \$890 million per year.
- Sales tax accounts for 32% of county revenue, and has averaged \$8.6 billion per year.
- Sales tax accounts for 8% of town revenue, and has averaged \$779 million per year.
- Sales tax accounts for 4.5% of village revenue, and has averaged \$160 million per year.
- Sales tax accounts for 0.6% of school district revenue and has averaged \$270 million per year.

Sales Tax as % of Revenue



Sales Tax Revenue Annual Average in Millions



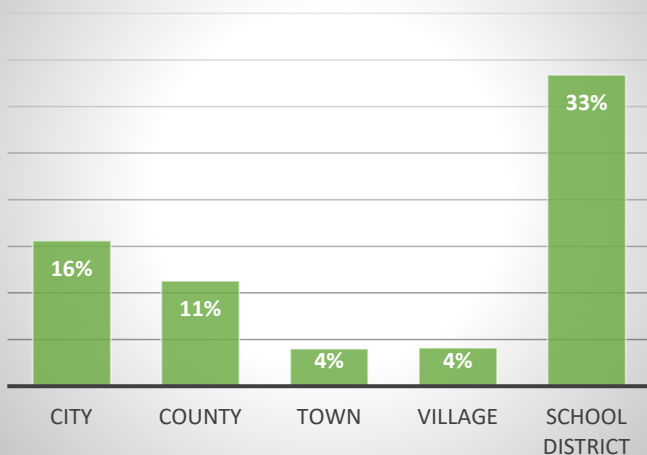
Unlike most of the local government revenue sources, there are few similarities among Sales Tax recipients. As a percentage of total revenue, reliance follows early an arithmetic progression from 4.5% for villages to 32% for counties. In terms of revenue, the counties dominate this source with \$8.6 billion garnered, annually. The other levels of local government barely register on this metric.

State Aid

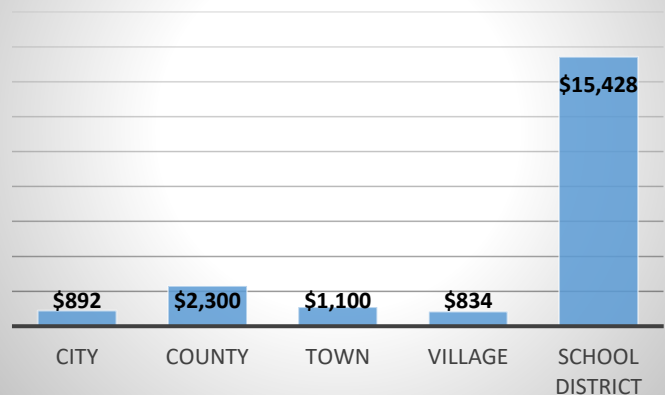
Schools districts and counties rely heavily on state aid. School districts receive 100 times more than villages and almost 40 times more than towns, but the \$15 billion annually constitutes a third of school district revenue while only 4 percent of town or village revenue.

- State Aid – constitutes 16% of city revenue and amounts to \$892 million per year.
- State Aid – constitutes 11% of county revenue and amounts to \$3 billion per year.
- State Aid – constitutes 4% of town revenue and amounts to \$380 million per year.
- State Aid – constitutes 4% of village revenue and amounts to \$149 million per year.
- State Aid – constitutes 33% of school district revenue and amounts to \$15 billion per year.

State Aid as % of Revenue



State Aid Annual Average in Millions

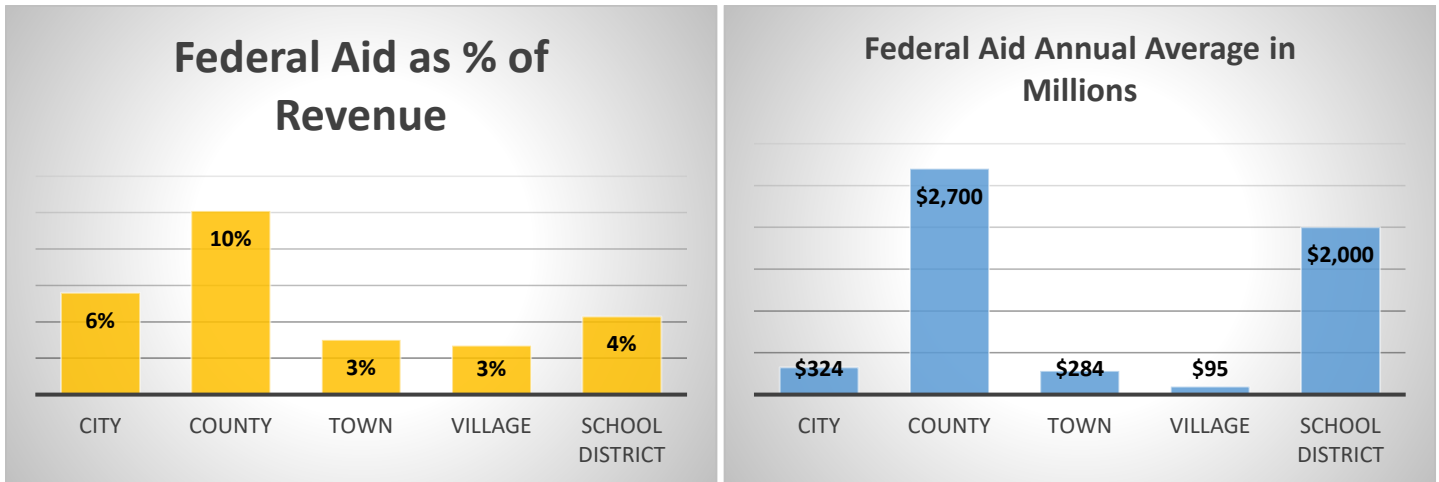


For the State Aid category of revenue, the similarities of towns and villages both in terms of percentage of total revenue and in annual amounts are apparent: both have 4 percent of their funds sourced from State Aid and both garner nearly \$1 billion annually. However, as with Sales Tax, a single level of local government dominates this category of revenue – school districts collect more than \$15 billion annually.

Federal Aid

Aid from the federal government averaged \$5.4 billion from 2013 to 2023. However, at its highest only around 10 percent of county revenues and single digits for cities, towns, villages and school districts.

- Federal Aid – 6% of revenue for cities at \$324 million per year.
- Federal Aid – 10% of revenue for counties at \$2.7 billion per year.
- Federal Aid – 3% of revenue for towns at \$284 million per year.
- Federal Aid – 3% of revenue for villages at \$95 million per year.
- Federal Aid – 4% of revenue for school districts at \$2 billion per year.



Counties and school districts again take the lion’s share of federal aid. School districts bring in seven times more federal dollars than towns; counties nearly 10 times more. Among cities, towns, and villages, cities are twice as reliant on federal dollars as town and villages.

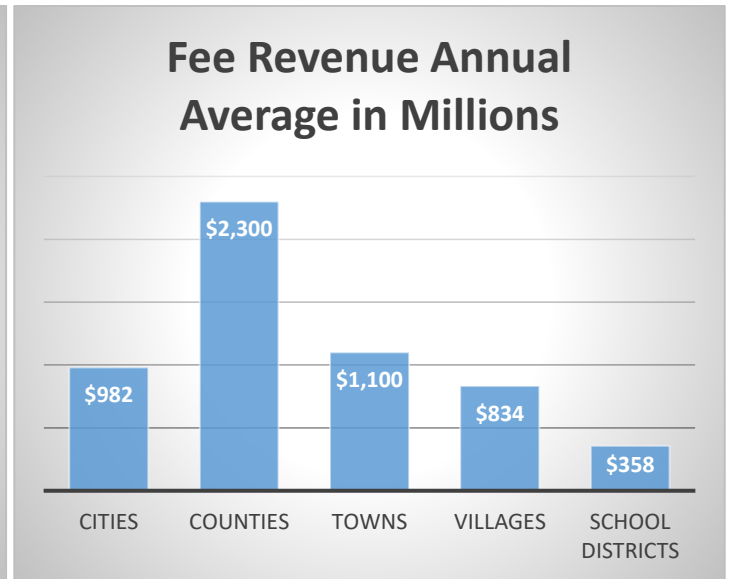
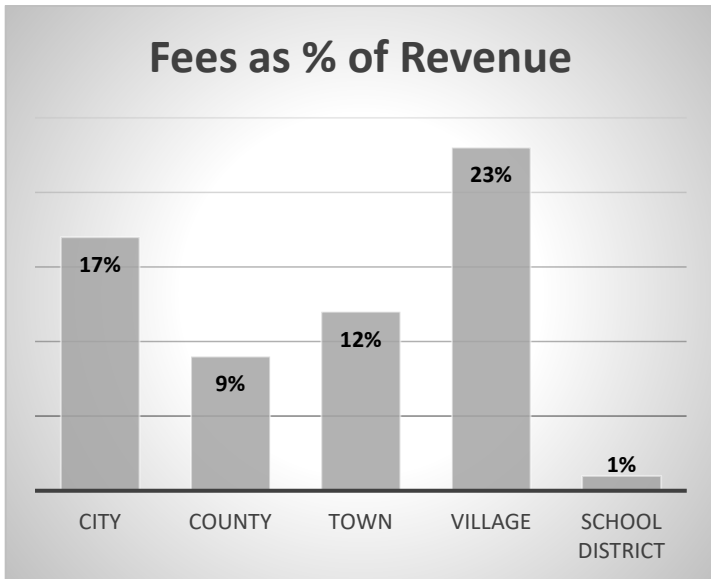
Fees

Local governments are allowed fees for a host of subjects: dog licenses, animal impounds, building permits, demolitions, parks and recreation facility fees, junkyard fees, planning board reviews, public assembly permits, engineering reviews, commercial signs, fences, adult entertainment application fees, and fees for 'clearing, grading, and filling,' among others.

School districts may charge: course fees (fine arts, digital photography, symphonic, marching band, etc.), career education fees (medical terminology, construction terminologies, graphic arts, etc.), physical education fees (lifeguard certification, pool, etc.). Student fees can include: supplemental materials, parking, athletic and activities participation.

- Fees – 17% for cities at \$982 million.
- Fees – 9% for counties at \$2.3 billion.

- Fees – 12% for towns at \$1.1 billion.
- Fees – 23% for villages at \$834 million.
- Fees – 1% for school districts at \$358 million.



As the unit of government closest to the people, cities, towns and villages collect a significant portion of their budget from fees for service. Nearly a quarter of village revenue is constituted by fees. General-purpose local governments take in roughly a billion dollars each, with counties bringing in \$2.3 billion in fees.

Lesser Revenue Sources

A glance at the revenue account codes contained in the Comptroller’s AFD reveals a host of individual revenue sources that either do not apply to all general-purpose local governments or comprise single percentage points of total revenues. Nine such revenue sources are summarized below.

Utilities Gross Receipts tax accounts for less than 1% of revenues for cities (\$48 million), counties (\$9.5 million), villages (\$27 million) and school districts (\$38 million). Towns receive no Utilities Gross Receipts tax.

Franchise and Mortgage Recording Tax – 1% of city revenues (\$69 million), 4% of town (\$362 million), 2% of village (\$60 million). Counties derive no revenue from franchise taxes. However, they take in \$27 million per year (0.1% of county revenues) for Mortgage Recording Taxes. School districts derive no revenue from either the franchise or mortgage recording taxes.

Charges to Other Governments i.e., Shared Services. Examples of these revenues include town charges for plowing of county roads, village charges to a town for providing the town parks and recreation programming, school district transportation charges to a neighboring school district.

- Shared Services – 2% for cities at \$95 million per year.
- Shared Services – 2% for counties at \$534 million per year.
- Shared Services – 2% for towns at \$183 million per year.
- Shared Services – 3% for villages at \$103 million per year.

- Shared Services – 0.3% for school districts at \$137 million per year.

Sale and Use of Municipal Property – 1.7% of city revenue at \$96 million per year, 1.4% for counties at \$395 million per year, 2.1% for towns at \$203 million per year, 1.6% for villages at \$57 million per year and 1.2% for school districts at \$548 million per year.

Fines, Forfeitures & Loss Compensation – 2.7% of city revenue at \$153 million per year, 1% for counties at \$263 million per year, 1.3% for towns at \$125 million per year, 1.8% for villages at \$65 million per year, and 0.1% for school districts at \$40 million per year.

City Income Tax, not including the City of New York: \$54 million per year on average, but the lion’s share going to Yonkers.

911 Surcharge: \$37 million per year on average to counties.

Automobile Use Tax totals \$2.5 million annually to 16 counties

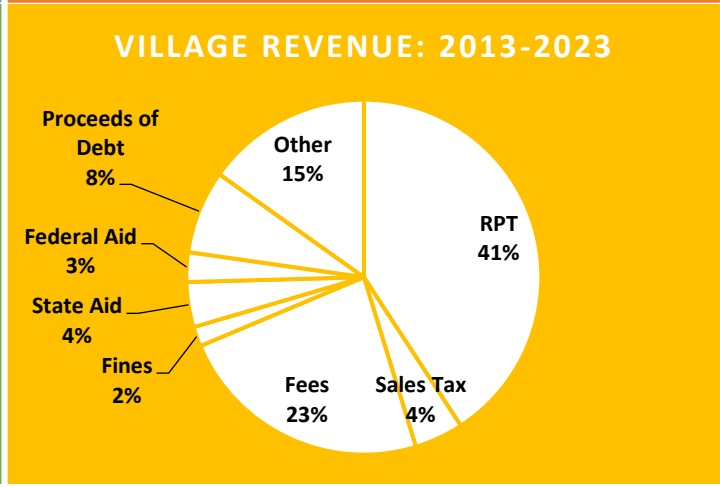
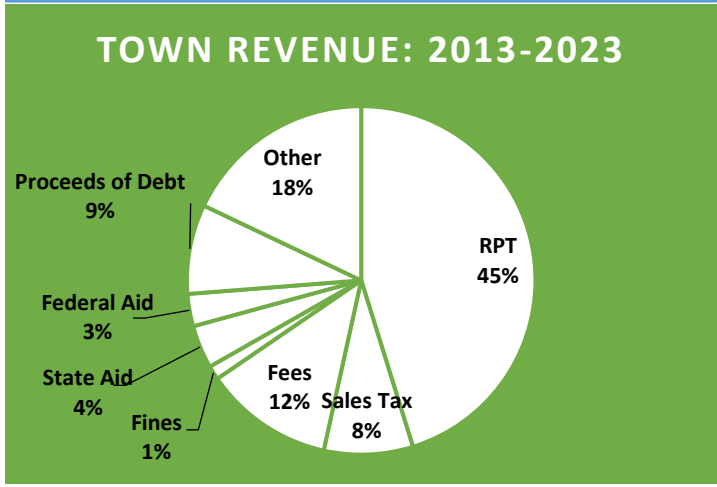
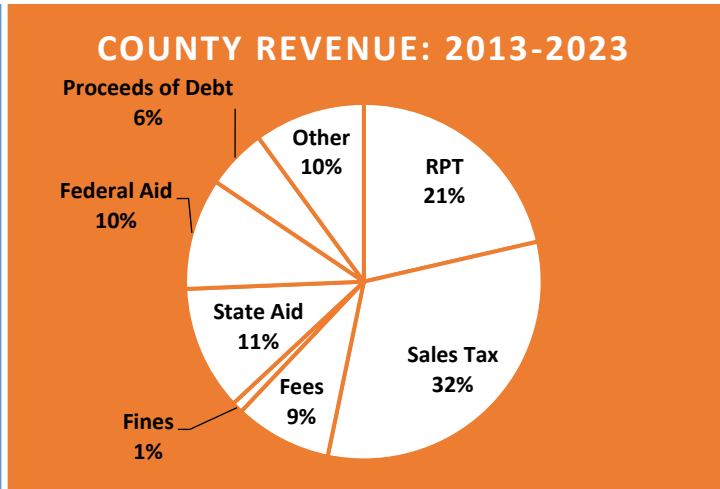
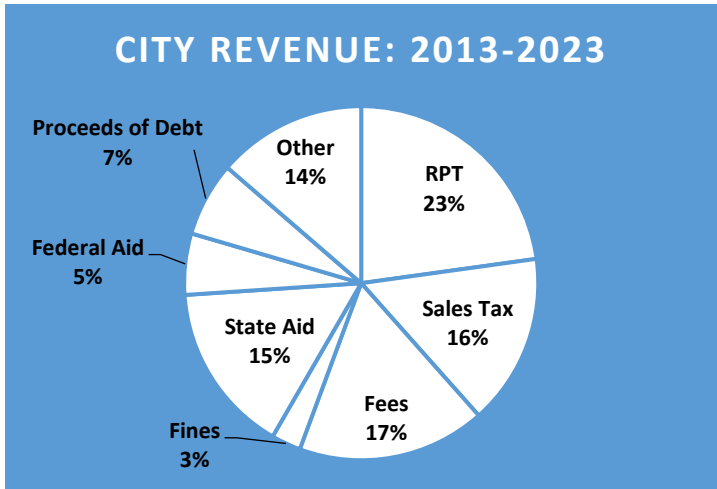
Tax on Hotel Room Occupancy is categorized by the Comptroller as one of several Miscellaneous Use Taxes. The state has authorized a Tax on Hotel Occupancy in 44 of the 62 counties for a total annual revenue amount of \$71 million. In 2023, 13 cities levied a Tax on Hotel Room Occupancy: Canandaigua, Glens Falls, Hudson, Lockport, New Rochelle, Niagara Falls, Peekskill, Rochester, Rye, Saratoga Springs, Watertown, White Plains, and Yonkers.

Towns with a Hotel Occupancy Tax			
Town	County	Town	County
Alexandria	Jefferson	Johnsburg	Warren
Bolton	Warren	Le Ray	Jefferson
Cape Vincent	Jefferson	Moriah	Essex
Champion	Jefferson	Newburgh	Orange
Chester	Warren	North Castle	Westchester
Clayton	Jefferson	Queensbury	Warren
Goshen	Orange	Rutland	Jefferson
Henderson	Jefferson	Stony Creek	Warren
Horicon	Warren	Thurman	Warren
Hounsfield	Jefferson	Warrensburg	Warren
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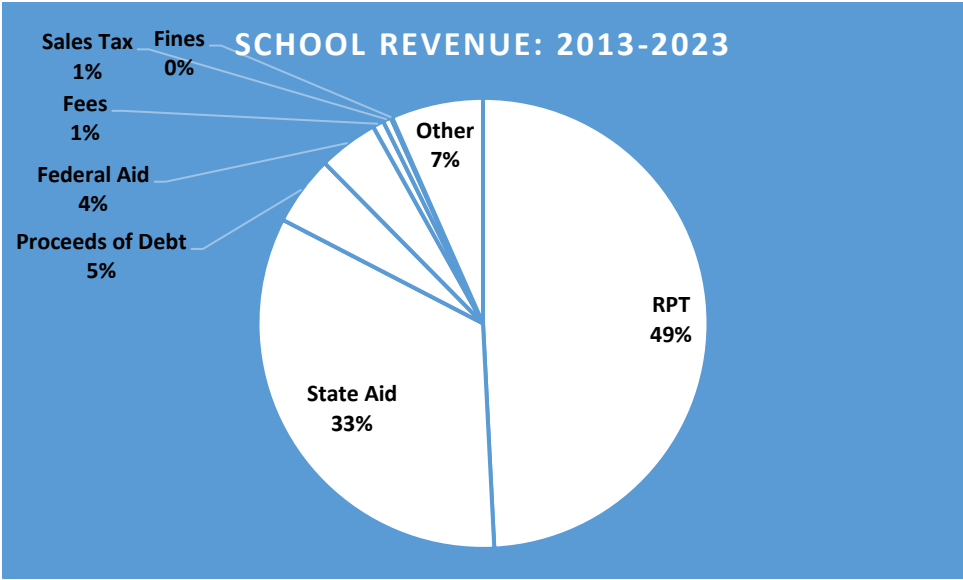
There are 21 towns authorized to collect a Hotel Occupancy Tax. It generates \$2.6 million per year, on average.

Conclusion

All local government revenue sources are not created equal, but there are elements of parity among some. Cities and counties are quite similar, and when Sales Tax and Fees are combined, look even closer still. Towns and villages also share similarities, save for the differences in Fees and Sales Tax distributions.



School districts, however, are quite distinct. They are more heavily reliant on Property Taxes than any of the general-purpose local governments. They also receive far more in State Aid funds.



NYAOT hopes this discussion of local government revenue sources has been of value.

Appendix

Please see attached PDF.