



To: Bob Duffy, President and CEO
Greater Rochester Chamber Members
From: Marc Cohen, Chief of Staff
Date: January 16, 2024
Re: Fiscal Year 2025 Executive Budget Proposal Brief

Summary: Today Governor Hochul unveiled her Fiscal Year 2025 (FY25) budget priorities with All Funds spending totaling \$232.7 billion, a \$5.9 billion increase (4.5%) year-over-year. The FY25 budget includes expected federal aid of \$88.2 billion broken down as \$52 billion for Medicaid, \$20.7 billion for health and human services programs, \$8.6 billion for education, \$2.8 billion for transportation, \$2.8 billion for public safety, and \$1.2 billion in other funding aid. The budget proposal does not include any broad-based increases in taxes. The deadline for an on-time spending plan agreed to by the Governor and Legislature is April 1 (the start of New York's fiscal year).

Roughly half of the State Operating Funds budget supports health care and education. The FY25 budget continues the commitment to building the State's reserves to 15% of State Operating Funds.

Following two years of strong tax collections, New York began to experience a drop in tax receipts beginning in FY24 (expected to decline by 7.8% from FY23 levels). The projection for General Fund tax receipts is revised upward by \$5.9 billion from the forecast included in the Mid-Year Update resulting in a General Fund surplus of \$2.2 billion. The surplus will be used to prepay \$1.7 billion in FY25 expenses to reduce the budget year gap with the remaining \$500 million being set aside in reserves for future one-time costs related to assisting asylum seekers.

The following brief will offer an overview of key budget areas most relevant to the Finger Lakes Region. This brief is not intended to serve as a comprehensive overview of the entire Executive Budget Proposal. Please reach out to me (Marc.Cohen@GreaterRochesterChamber.com) with questions on any of the below topic areas, or with questions on topics not covered here. The full 144 page briefing book [can be accessed here](#).

Crime and Public Safety

The FY25 Executive Budget Proposal includes \$40 million toward combatting retail theft, \$40 million toward deterring domestic violence, \$35 million to reduce instances of hate crimes, and \$347 million in programs to prevent and reduce gun violence in our communities. There is also a \$6.1 million investment designed to improve reentry into the workforce, reduce recidivism, and increase community safety in New York through additional supervision of individuals on parole, expanding transitional housing, and expanding college programming to all State prisons. The proposal also establishes the Commercial Security Tax Credit to help business owners offset the costs of retail theft prevention measures. The proposal creates a \$3,000 tax credit for small businesses that spend more than \$12,000 on such measures and join an anti-prevention partnership.

Education

Governor Hochul touted fully funding foundation aid and is proposing an increased spend of \$825 million resulting in \$35.3 billion in total education funding (the total increase is \$921 million when including the State's full takeover of funding for Pre-K expansion grants previously supported with ARPA dollars). Her proposal includes \$10 million to train 20,000 teachers on reading literacy; \$207 million for SUNY and CUNY operations and \$1.2 Billion in capital projects; and \$154 million for community college support. The Governor has also proposed limiting eligibility for Unrestricted Aid to Independent Colleges and Universities (Bundy Aid) to institutions with endowment assets less than \$750 million. Aid to such institutions is funded at the same \$15.8 million level as in AY 2024.

Economic Development:

Governor Hochul's proposal includes \$50 million in FY25 funding (\$250 million over 5 years) to make New York a global leader in AI research and development through the Empire AI Consortium. The program will establish an artificial intelligence computing center to promote research and development. The proposal also includes \$500 million for an Albany nanotech hub; \$110 million in new dollars (total of \$200 million) to create the One Network for Regional Advanced Manufacturing Partnerships (ONRAMP) initiative that will construct new workforce development centers in 4 upstate New York cities and provide training opportunities related to advanced manufacturing; \$100 million to continue investing in shovel-ready sites (FAST-NY) to attract high-tech manufacturing to New York; \$150 million for the Regional Economic Development Council (REDC) program; \$200 million for the Downtown Revitalization Initiative (DRI); \$400 million for the New York Works Economic Development Fund; \$50 million for the Restore-NY Communities program; and \$82.5 million for the Olympic Regional Development Authority (ORDA). This is in addition to efforts announced to support anti-poverty efforts in Rochester, Syracuse, and Buffalo.

Healthcare

Nearly 7.6 million New Yorkers (39%) are currently covered by Medicaid. Total Federal, State, and local Medicaid spending is expected to be \$96.4 billion in FY25. This includes \$52 billion in Federal spending and \$35.5 billion in State spending with the remainder paid for by municipalities. Medicaid spending is driven largely by elevated enrollment relative to pre-COVID-19 pandemic levels; expansion of benefits; increases in reimbursement rates; and growing utilization of the State's MLTC program by the State's aging population.

Proposals include \$74 million in Patient-Centered Medical Home enhancements for adults and children; \$10.4 million to increase reimbursement rates for healthcare providers serving individuals with physical, intellectual, or developmental disabilities; \$13.9 million in funding to support a 5% Early Intervention reimbursement rate increase and a 4% Early Intervention rate modifier targeted to support rural & underserved areas; \$14.8 million to end preventable epidemics; \$25 million toward research and treatment for ALS and other rare diseases; permits health care providers in emergency rooms to dispense up to a three-day supply of buprenorphine; \$315 million per year to provide health insurance subsidies on the Exchange for individuals up to 350% Federal Poverty Level; efforts to reduce infant, child, and maternal mortality;

The proposal also: streamlines the certificate of need process; creates 5 EMS zones across the state; establishes a Paramedic Telemedicine Urgent Care program to expand care in rural areas and reduce preventable emergency department visits; allows general hospitals to provide care in a patient's home and allow emergency medical technicians to provide non-emergent care in the community; includes legislation to allow NY to join the Interstate Licensure Compact and the Nurse Licensure Compact making it easier for physicians and nurses licensed in other states to practice in NY; includes 1.5% Cost-of-Living Adjustment for SOFA programming

The 1115 waiver amendment approved by Federal regulators will leverage \$6 billion in federal funds and \$1.5 billion in state funds to help safety net hospital and protect healthcare workforce from cuts.

Governor Hochul is also proposing sunseting the State's COVID-19 Sick Leave Law.

Mental Health

The Governor's proposal commits \$55 million for 200 inpatient beds; \$42.2 million to increase reimbursement for services provided in DOH-licensed facilities and private practices treating mental health conditions; \$45 million for school based and wrap around services for youth; \$45 million in support for the IDD community including opportunities for independent living opportunities and \$6.7 million to become an employment first state; and \$67 million to combat the opioid epidemic through medication treatment and prevention strategies.

Energy

Governor Hochul is proposing the Renewable Action Through Project Interconnection and Deployment (RAPID) Act that creates a streamlined process for the environmental review and permitting of major renewable energy and transmission facilities. The proposal also advances the Affordable Gas Transition Act which would eliminate the “100-foot” rule.

Infrastructure and Transportation (Upstate)

Governor Hochul’s FY25 proposal includes \$323 million for the upstate transit systems and \$135 million for new County Partnership Grants to support public safety and infrastructure investments.

Agriculture:

The FY25 proposal includes new investments to support New York’s agriculture industry including \$55 million in capital grants for on-farm milk storage technologies and processing infrastructure; \$5 million to reinvigorate New York’s aquaculture industry through the Blue Food Transformation; and \$5 million to grow New York’s bioeconomy. The proposal also continues a multi-year \$50 million investment to support kitchen facilities that prepare meals for K-12 schools from New York State farm products.

Climate Change

The FY25 budget proposal includes \$47 million to plant 25 million trees by 2033; \$400 million for environmental protection fund; \$100 million for superfund cleanup; \$500 million in clean water infrastructure investment; and \$435 million in resiliency funds including \$250 million for voluntary buyouts in flood-prone areas.

Migrant Crisis

Governor Hochul has allocated \$2.4 billion to help manage the migrant crisis. This includes \$500 million in State reserves. There is also a focus on securing work authorization so migrants can work legally.

NY SWIMS

A key component of the Governor’s proposal is a \$150 million NY SWIMS initiative which includes funding for pools, lifeguards, and swim lessons. NY SWIMS includes \$60 million to build 10 new swimming pools in underserved communities, \$60 million to develop and install floating pools in natural waterways, and \$30 million for pop-up swimming pools that can be deployed to communities that would otherwise not have access to outdoor pools.

Housing

The centerpiece of Governor Hochul’s FY24 budget proposal was housing. This year she has renewed her call to address critical housing shortages. Her proposal includes \$650 million in funds for localities who attain a pro-housing designation; \$500 million to build 15,000 units on state-owned land, and continuing her 5-year \$25 billion plan to build 100,000 new homes. In NYC she proposes including a new tax incentive for development, extending eligibility for 421-a projects, offering incentives for converting office buildings, eliminating restrictions on residential density, and creating a pathway to legalizing basement apartments.

Revenue Actions

Governor Hochul has proposed the following:

- Repealing the wholesale THC potency tax and replacing it with a wholesale excise tax of 9%, while maintaining the State retail excise tax rate of 9% and the local retail excise tax rate of 4%. For vertically-integrated entities the new wholesale excise tax will accrue on the final retail sale to consumers and be imposed on 75% of the final retail sales price.
- Tax parity between hotels and the vacation rental industry, subjecting all vacation rentals to State/local sales tax.
- Addressing the Supreme Court ruling on local property tax foreclosures to ensure counties can continue to take action on property tax delinquencies in an appropriate manner.
- Providing for the filing of amended sales tax returns as they are not contemplated in Sales Tax Law, so there are no clear rules regarding the process or timeline for filing amended returns. The Executive Budget addresses this by clarifying that amended sales tax returns are subject to similar limitations as other tax filings and creating clear process standards.
- Permanently extending the itemized deduction limit on high income filers. Since 2010, itemized deductions for taxpayers with New York adjusted gross income of more than \$10 million have been limited to 25% of the allowed Federal charitable contribution deduction. The Executive Budget permanently extends this long-standing limit.
- Extending certain sales tax exemptions related to the Dodd-Frank Protection Act for three years. The Dodd-Frank Wall Street Reform and Consumer Protection Act required certain financial institutions to create subsidiaries and then transfer property or services to those subsidiaries. To continue to address the unintended consequences of the Federal Act as it pertains to “separate legal entities,” the Executive Budget extends for three years the tax exemption, first provided in 2015, that excludes these required transfers from taxable sales.
- Clarifying taxable status of telecommunications property. Under current statute, telecommunications property is not taxable if it is “used in the transmission of news or entertainment radio, television or cable television signals for immediate, delayed or ultimate exhibition to the public.” The FY25 proposal would clarify that properties are excluded from the definition of real property, and therefore not taxable, only if the property is primarily or exclusively used in the transmission of radio, television, or cable signals.
- Permanently extending the Tax Shelter Provisions. The Executive Budget permanently extends various tax shelter provisions that were originally established in 2005.
- Close the Amended Return Loophole for Personal Income and Corporation Franchise Taxes. By changing the limitation on petitions filed to the Division of Tax Appeals, this proposal would allow the Department of Taxation and Finance to act on amended returns that are filed during or after the appeals process and aid in their enforcement of withholding filing and billing processes.