



To: Greater Rochester Chamber of Commerce Members
From: Marc Cohen, Chief of Staff
Date: January 26, 2021
Re: FY2022 Proposed Executive Budget Brief

Summary: Governor Cuomo proposed the FY2022 \$192.9 Billion (all funds spending) New York State budget. Due to an uncertainty surrounding federal support, the Governor proposed two budget options (one assuming \$15 billion in federal support, the other assuming less). The Pandemic Recovery and Restoration Program is a \$130 million program to support small businesses, restaurants, and the arts/entertainment industry adversely impacted by COVID-19. The budget includes \$31.7 billion in school aid, \$7.5 billion in state support for higher education, and language on: the largest ever proposed infrastructure plan, investment in public/private green initiatives, rent relief programs, workforce development efforts, MWBE support, expansion of broadband, and pandemic relief/recovery. The Governor is also calling for another round of funding for the Regional Economic Development Councils, the Downtown Revitalization Initiative, and the New York Works Economic Development Fund. The Governor reiterated his call to repeal the SALT cap and included a paid leave requirement of 4 hours for employees to receive two vaccinations. Below is a larger list of included items:

Pandemic Recovery and Restoration Program: Governor Cuomo announced a \$130 million program to support small businesses, restaurants, and the arts/entertainment industry adversely impacted by COVID-19. Included is \$50 million in tax credits to support certain highly impacted small businesses in the hiring of additional workers through 2021. The credit is \$5,000 per employee and up to \$50,000 per business. Small businesses must have experienced a minimum 40% revenue or employment loss to qualify. Also included is \$50 million in tax credits to support highly impacted restaurants through 2021. The credit would be \$5,000 per employee and up to \$50,000 per business. There is also funding for the tourism, music, and theatrical industries in NYC and outside of NYC including an extension and enhancement of the musical and theatrical production credit.

Economic and Workforce Development: Governor Cuomo included a proposal to fund additional rounds of the Market NY initiative (\$15 million), the Regional Economic Development Councils (all-included allocation of \$750 million), and the Downtown Revitalization Initiative (\$100 million). MWBE's would receive support from Empire State Development Corporation, in partnership with the Reimagine New York Commission, to launch the "Entrepreneurship Navigator" to provide customized services and streamlined access to start-up programs to help incubate minority and women entrepreneurs in the technology and innovation sector. A sixth round of investment equaling \$220 million for the New York Works Economic Development Fund will provide additional statewide capital grants to support projects that facilitate the creation of new jobs or retain existing jobs, or fund infrastructure investments necessary to attract new businesses or expand existing businesses in support of economic recovery. Governor Cuomo announced several initiatives to enhance the NYS workforce. In addition to the above, he proposes (1) The Pathways Pledge which aims to create more inclusive workforces. (2) Expanding SUNY's online training center to provide free online training for New Yorkers to receive employment certifications in high-demand industries like health care and advanced manufacturing. (3) The COVID-19 Workforce Initiative would invest \$50 million for training in high-growth industries, and funding for small business to re-train/hire furloughed/laid-off/new workers.

Taxes and Mandates: Governor Cuomo included a proposal requiring public and private employers to provide their employees up to four (4) hours of paid leave for up to two COVID-19 vaccinations for each employee. The budget also calls for a temporary income tax surcharge on high-income taxpayers through 2023. The surcharge would start with taxpayers earning \$5 million a year and would increase the current highest rate from 8.82% to 10.82%. Affected taxpayers could prepay their surcharges for fiscal years 2022 and 2023 now for a corresponding deduction in fiscal 2024. The budget office estimates that the proposal would earn \$1.5 billion for the coming fiscal year. The governor also raised the possibility of delaying income tax reductions for the middle class. Rather than continuing the cuts, the proposal would leave the 2020 rates in place for 2021 and push back forthcoming reductions another year.

Revenue Enhancements: The Executive Budget would authorize a mobile-sport wagering market in an effort to raise revenue and help close the estimated \$15 billion budget deficit. The budget proposes a vacation rental tax measure that would apply to companies like AirBnB to collect local/state hotel taxes. It is expected to raise ~\$9 million in revenue in the coming fiscal year. The budget also calls for new \$1 fees to people who conduct certain business with the DMV.

Cannabis Legalization: The Executive Budget calls for legalization of adult use (21+) cannabis. Taxes would include the following: (1) Wholesale THC-based tax according to potency level (0.7 cents per milligram of THC content for flower/pre-roll/shake products; 1 cent per milligram of THC for concentrates/oil products; and 4 cents per milligram of THC for infused/edible products). (2) 10.25% surcharge on products sold by retail dispensaries. (3) Applicable state/local sales tax rates. Expected revenue generation is \$350 million annually when fully effective (estimated to be 4 years) - \$100 million of that revenue would go to a new “social equity fund.” The bill also establishes the Office of Cannabis Management which would oversee the implementation and regulation. Counties/cities with a population of 100,000 or more residents can opt-out with the passage of a local law. Municipal governments that allow cannabis licenses will be able to dictate the time, place, and manner of operations through local zoning powers.

Transportation/Infrastructure: Governor Cuomo announced a \$306 billion infrastructure plan which is inclusive of his \$206 billion 2020-24 plan and his \$100 billion 2015-2019 plan. The plan includes expansion and reconstruction of Penn Station, extension of the High Line in Manhattan, expansion of affordable broadband internet for low-income families, a \$5.8 billion DOT capital plan, highway aid, \$110 million investment in parks, \$500 million to support clean water, continued investment into the \$300 million Reimagine the Erie Canal project, and \$105 million in new capital funding for the Olympic Regional Dev. Authority.

Healthcare: Governor Cuomo’s budget calls for telehealth overhauls; additional medical respite programs to provide care to New Yorkers experiencing homelessness; nearly \$2 billion to fully support the direct cost of the minimum wage increases for health care workers who provide Medicaid services reimbursed by the Department of Health; and \$4.8 billion in state takeover of local Medicaid costs. The governor’s budget proposal further includes \$442 million in funding for the operation of NY State of Health in fiscal 2022; \$295 million to support services provided by local governments; and \$3.8 billion in capital investments for health care providers. The spending plan also calls for continuing the reinvestment of 340B savings in subsequent years; extending the Medicaid drug cap through fiscal 2022; continuing the implementation of MRT II-backed recommendations to discontinue the state-funded portion of the public Indigent Care Pool and reduce the hospital capital rate add-on by 5%.

Education: Governor Cuomo proposed a \$2.1 billion increase in schools funding for a total budget of \$31.7 billion should federal funding come through. It also provides direct support of \$7.5 billion in funding for higher education, as well as an extension of the predictable tuition plan allowing increases of no more than \$200 per year through 2025.

Green Energy Economy: Governor Cuomo has proposed a number of initiatives housed under Green Energy Economy including offshore wind production, a green energy transmission “superhighway,” public private partnerships to build an additional 24 renewable energy projects, and support for electric busses.