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New York State Enacted Budget for Fiscal Year 2025

OVERVIEW

Dear NPW Community:

Below you will find the overview of the NY State Enacted Budget for Fiscal Year 2025.

While significant, disappointingly, you will see that the Human Services COLA came in at a 2.84% increase rather than the 3.2% for which we were advocating.

Please [email me](#) with any specific questions or concerns and we will determine whether or not to hold another virtual session of the NPW Public Policy Committee or to get your questions answered directly, as possible. Please put NYS Budget Question in Subject.

With appreciation,



Jan Fisher
Executive Director

OVERVIEW

Governor Kathy Hochul, Senate Majority Leader Andrea Stewart-Cousins, and Assembly Speaker Carl Heastie finalized New York State's Enacted Budget for Fiscal Year 2025 on April 20, 2024. After a lengthy debate over issues, such as the Foundation Aid funding formula, housing and tenants' rights, Medicaid and healthcare funding, public safety and retail theft, the members of the New York State Legislature approved the \$237 billion Budget for Fiscal Year 2025. We note that the figure in the Enacted Budget is an increase from the \$233 billion that the Governor initially proposed in her version of the budget in mid-January.

Since that proposal, New York State fiscal experts have agreed that New York State appears to be heading towards a year of modest economic growth in light of the once-looming fear of recession tapering. In fact, strong state tax receipts for the year show that the state has about a billion dollars more than previously estimated which contributed to a higher total spending commitment in the Enacted Budget.

While the New York State Constitution provides that a budget agreement must be approved by the legislature by April 1st, the negotiation between Governor Hochul and the legislative leaders from both houses about controversial components of major issues impacting New Yorkers resulted in the budget being approved almost three weeks late after the issuance of six emergency appropriation extenders.

Among the major policy areas illuminated throughout the budgetary process, a plethora of proposals within the education, housing, healthcare, and public safety arenas occupied the forefront of budget negotiations. The primary elections this summer and general elections this fall shaped how many legislators approached negotiations. While most of these proposals remained on the table with tweaks to the details, there were a few proposals that fell off the table completely and the parties agreed to address them outside of the budget process. This includes the Governor's new-to-the-state proposal to provide the Department of Financial Services with the sweeping powers to implement comprehensive regulations on "Buy Now Pay Later" lenders.

The Executive and Legislature continued discussions about the state's housing supply after not reaching a housing agreement in last year's budget that was proposed to reach the Governor's goal of creating 800,000 new housing units for New Yorkers. These talks centered around the expired 421-a tax credit which incentivized real estate developers to invest in the construction of affordable housing, and other alternative proposals to supplement the state's housing stock. The final housing deal renews the 421-a tax credit and creates another tax credit, 485-x, to supplement the creation of affordable housing while tenants received additional protections, including, rent caps and "good cause" eviction protections which limit the circumstances under which tenants can be evicted.

On the education front, Governor Hochul proposed a new Foundation Aid formula that accounts for inflation based on the average inflation rate over the past ten years as opposed to the previous year's inflation rate and would end the state's "hold harmless" policy, which prevented reductions in Foundation Aid funding from year to year. Many stakeholders in the education system expected the

new plan would result in budget cuts for school districts amid continued concern about student learning resulting from the COVID-19 pandemic. Ultimately, the inflation factor in the formula was lowered and “hold harmless” was preserved for the upcoming fiscal year but will be debated in future budget negotiations. While mayoral control of New York City’s public schools was initially off the table for consideration the parties agreed to a two-year extension of mayoral control.

The Enacted Budget also included a number of public safety measures, such as funding and enforcement measures to combat retail theft as a growing number of businesses and chains have pulled out of high crime areas in New York, growing the list of crimes that qualify as “hate crimes” in response to an uptick in antisemitic incidents, and additional authority for state and local law enforcement to padlock and shut down illicit cannabis shops which continue to compete against the legal recreational market.

In respect to healthcare, all parties viewed Medicaid funding as critical for the performance of New York’s healthcare system in the future. Lawmakers agreed to authorize the state to pursue a new tax on Managed Care Organizations (MCOs) where MCOs are reimbursed with state funds and federal matching funds to offset the state’s healthcare expenses. This plan relies on the federal government’s obligation to reimburse the state’s Medicaid expenses and creates a new way for the state to provide healthcare for lower-income New Yorkers, however, its fate rests on shaky grounds as Center for Medicare & Medicaid (CMS) officials claim they will prohibit this approach at some point.

This budget reaffirms the state’s commitment to supporting migrants by setting aside \$2.4 billion to provide healthcare, housing, and basic needs to migrant. Significant funding was also provided for mental health services, the MTA and other transportation services as well as environmental protection and sustainability. New York still must unpack how it will reach the mandated emission reductions by 2030, which continues to inch closer, and the gulf of necessary reductions grows wider.

On the horizon, New York State will grapple with the evolving economy, changing quality of life, and concerns about the long-term comparative advantage of a business and a living climate with many demands and costs. [According to the Comptroller](#), an imminent national economic downturn is less likely than previously thought, and levels of inflation have flattened, yet still remain above the Federal Reserve’s suggested two percent target contributing to the affordability crisis. The Comptroller adds the state has not fully recovered from the population and job loss seen during the height of the COVID-19 pandemic, which dampens economic growth, and is expected to widen the structural budget gap in the coming years.

This budget looks to solve some problems with practical solutions, while many of the structural contentions will continue to be an issue for the State and people of New York.

TOP HIGHLIGHTS

The information below is provided with the best of our knowledge to date

- \$237 billion in total spending for the Enacted Budget for Fiscal Year 2025 – an almost 3.5% increase from Fiscal Year 2024 total spending.
- Financial reserves account for 15% of the Enacted Budget for Fiscal Year 2025.
- Tax collections for Fiscal Year 2024 totaled \$106.4 billion, over \$2 billion higher than forecast by the Division of the Budget (DOB) in the most recent financial plan.
- Human Services cost of living adjustment (COLA) of 2.84% with 1.7% targeted for salaries.

KEY COMPONENTS OF THE ENACTED BUDGET FOR FISCAL YEAR 2025

COLA

- Includes a 2.84% COLA in which eligible workers must receive at least a 1.7% salary increase.
 - Includes OMH, OPWDD, OASAS, OTDA, OCFS, and NYSOFA programs.
 - Support staff, direct care staff, clinical staff, and non-executive administrative staff are eligible for the COLA.
 - For OMH, OPWDD, and OASAS programs,
 - support staff includes individuals employed in consolidated fiscal report position title codes ranging from 100 to 199.
 - direct care staff includes individuals employed in consolidated fiscal report position title codes ranging from 200 to 299.
 - clinical staff includes individuals employed in consolidated fiscal report position title codes ranging from 300 to 399.
 - and non-executive administrative staff includes individuals employed in consolidated fiscal report position title codes 400, 500 to 599, 605 to 699, and 703 to 799.
 - Individuals employed in consolidated fiscal report position title codes 601 to 604, 701 and 702 are **ineligible** for the 1.7% targeted salary increase.
 - A written certification must be submitted demonstrating how the COLA funding is used to first promote the recruitment and retention of support staff, direct care staff, clinical staff, non-executive administrative staff, or respond to other critical non-personal service costs prior to supporting any salary increases or other compensation for executive level job titles.
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Housing

The Enacted Budget revitalizes a crucial property tax incentive for multi-family housing, 421-a, and introduces regulatory changes to encourage residential production in New York City. It also modifies the 2019 rent reforms by allowing greater rent increases for apartment improvements and implements a version of the "good cause" eviction proposal with significant limitations, affecting a restricted set of apartments.

- Includes a 6-year extension of the 421-a abatement program.
- Creates a new 485x tax incentive for affordable housing.
- \$650 million for pro-housing communities.
- \$500 million for up to 15,000 units on state-owned building sites.
- \$2.4 billion to support the migrant crisis, including the cost of housing, legal services and job placement support, social services, and resettlement.
- Bolsters local tax incentives for affordable housing in office-to-residential conversions.
- Establishes a pilot program for accessory dwelling units (ADUs) or basement apartments.
- Eliminates requirements on the floor area ratio (FAR) of lots to facilitate denser housing arrangements in certain communities.
- Rent increases for market-rate apartments are capped at 5% plus inflation, not exceeding 10%.
 - Individual Apartment Improvements (IAI) can now charge up to \$30,000, and \$50,000 if units have been vacant for two years and had long-term tenants.
- The "good cause" eviction proposal includes exemptions for units rented below 200 percent of the fair market rent. It would also not apply to buildings built in the last 30 years.

Health Care and Mental Health

The Enacted Budget for Fiscal Year 2025 addresses a range of healthcare and social policies. Key outcomes include the exclusion of the interstate licensure compacts for healthcare workers and the continuation of paid Covid-19 sick leave. This Enacted Budget significantly increases Medicaid funding through a new tax structure levied against Managed Care Organizations which is backed by federal dollars. The Enacted Budget sets a modest COLA (cost-of-living adjustment) for nonprofit human services providers and supports a major overhaul of the mental health system with variations in mental health service insurance reimbursements.

- Authorizing the State to pursue federal approval for a managed care organization (MCO) tax and reimbursement plan making \$4 billion available to the State.
 - \$525 million in Medicaid rate increases reflecting \$200 million in state investment and directed payment template programs.
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- Provides a 1% payment increase to all qualifying Medicaid rates, in relation to eliminating the 1% rate increase to managed care organizations.
- \$285 million in nursing home funding reflecting a \$142.5 million state investment and a federal match.
- \$15 million for assisted living programs including a \$7.5 million state investment and a federal match.
- \$20 billion multi-year investment for healthcare infrastructure.
- \$3.9 billion for distressed hospitals.
- Creates a Statewide Healthcare Safety Net Transformation Program which utilizes new and existing capital funding and operating subsidies to make safety net hospitals financially sustainable.
- Extends telehealth pay parity for two years.
- Establishes medical debt protections including protections for against the denial of treatment, restrictions on the sale of medical debt, patients with incomes below four hundred percent of the federal poverty level.
- Bans copay for insulin for state-regulated insurance plans.
- Sets standards for reimbursement by insurance companies and expands out-of-network coverage.
- \$600 million in funding for the Office of Mental Hygiene.
- \$31 million to expand mental health services for first responders and for individuals struggling with mental illness who are involved in the criminal justice system and \$19 million in new support for school-aged children.
- Provides for the expiration of certain COVID-19 sick leave and employee benefits on July 31, 2025.
- Establishes one fiscal intermediary for the funding of for the Consumer Directed Personal Assistance Program (CDPAP).

Taxes and Revenue

The budget was finalized after extensive negotiations that included a focus on overall spending levels and expected revenue projections over Fiscal Year 2025. The proposal to increase personal income tax rates for the state's high earners (those earning over \$5 million a year) was rejected again. The budget negotiations culminated in a plan that seeks to balance the state's economic health with its social equity goals.

- Provides a sales tax exemption for residential energy storage equipment.
 - Repeals the cannabis potency tax and levies a 9% tax on cannabis sold by a distributors.
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- Reduces the medical cannabis excise tax to 3.15%.
- \$10.7 million for the Metropolitan Commuter Transportation Mobility Tax.
- Creates a Newspaper Media and Broadcast Jobs Tax Credit of \$5,000 for each net employee increase.

Civil Service

New York's Civil Service retirement system is a tiered system where tiers are determined based on when a public employee commences state employment with greater benefits for earlier tiers than subsequent tiers. For years, public labor unions have pushed for retirement benefits reform to lessen the difference in benefits between tiers. This Enacted Budget addresses the differences between tiers to some extent.

- Mandates that Tier 6 employees' final average salary for retirement should be based on an average of their last three years of employment as opposed to their last five years of employment.

Secondary & Higher Education

The Enacted Budget includes a historic level of funding for education, with a total of \$35.9 billion allocated for school aid, the highest in New York State's history. As a result of discussions on the future of New York's Foundation Aid formula, this Enacted Budget modifies the inflation factor and commissions a study to examine the formula. The further investment in education underlines a focus on the quality and accessibility of education across New York facing significant loss of federal dollars.

- \$35.9 billion in total school aid for School for year 2025 (an increase of 1.3 billion), including \$24.9 billion in Foundation Aid.
 - Decreases the inflation factor in the Foundation Aid formula for the 2024-25 school year and commissioned a Rockefeller Institute study to examine the Foundation Aid formula.
 - Implements evidence-based best practices in reading instruction.
 - Mayoral control of New York City schools was extended for two years.
 - \$150 million for charter school supplemental tuition.
 - \$120 million for charter school facilities aid.
 - \$ 1.4 billion for SUNY capital projects and \$481.2 million for CUNY capital projects.
 - \$300 million to continue SUNY Downstate's Medical Center in addition to a \$100 million increase in operating aid for the institution in addition to the creation of a Community Advisory Board for the Modernization and Revitalization of SUNY Downstate.
 - Raises the minimum award for the Tuition Assistance Program (TAP) from \$500 to \$1,000 and raises the income limits from \$80,000 to \$125,000 for participants in that program.
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Children and Families

The Enacted Budget includes funding to provide resources to families and children such as assistance in childcare, investment in recreational activities, and expanding opportunities for students. The budget also provides assistance to expecting and postpartum mothers.

- \$150 million for New York Statewide Investment in More Swimming (NY SWIMS) that will invest in various grant programs that will enhance and expand municipal swimming opportunities throughout the State.
- Requires employers to provide 24 hours of prenatal paid leave per year starting January 1, 2025.
- Requires employers to provide at least 30 minutes of paid leave for employees to express breast milk.
- Provides for a Community Doula Expansion Grant Program which allows eligible providers to receive funding in the performance of recruitment, training, certification, supporting, and/or mentoring of community-based doulas and creates a non-patient specific statewide standing order for the provision of doula services for pregnant, birthing, and postpartum individuals through twelve months postpartum.
- Provides for a Supplemental Empire State Child Tax Credit that is adjusted based on income.
- Provides a process for the extension of partial employment benefits in 15 day increments until February 1, 2025.

Public Safety

The Enacted Budget for Fiscal Year 2025 includes significant funding and incentives targeting retail theft with funding for law enforcement as well as tax incentives for small retailers that incur costs to protect their merchandise. The Enacted Budget also includes increased penalties for assaulting retail workers and expanding the number of violent crimes that could be charged as hate crimes.

- \$40.2 million for retail theft enforcement and \$5 million for a \$3,000 Commercial Security tax credit for businesses with fifty or fewer total employees.
 - Creates new crimes for assaulting retail workers (Class E Felony) and fostering the sale of stolen goods (Class A Misdemeanor) and allows prosecutors to combine the value of stolen goods when they file larceny charges.
 - Provides for 100 new state troopers tasked with combatting retail theft.
 - Authorizes the Office of Cannabis Management (OCM) and localities to enforce prohibitions in the Cannabis Law with the power to padlock buildings for up to one year and fine
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landlords and provides the Office of Taxation and Finance to revoke the alcohol, vaping, tobacco, and gaming licenses of illicit operators.

- Expands the number of offenses that can be prosecuted as hate crimes to include certain violent and false reporting offenses.
- \$35 million in the Securing Communities Against Hate Grant that protects houses of worship, religious schools and other at-risk sites.
- \$347 million to reduce and prevent gun violence.
- \$50 million in Temporary Assistance to Municipalities directed at fire departments and law enforcement.
- \$35.7 million to prevent and prosecute crimes of domestic violence.
- \$7.1 million for recidivism and reentry programs.

Economic Development and Public Investments

The Governor's proposed budget included proposed commitments to develop New York's workforce, investments in artificial intelligence, and initiatives to attract large technology employers. Many of these proposals were included in the final budget. The Enacted Budget for Fiscal Year 2025 provides for a new facility to support high-tech semiconductor manufacturing and innovation, marking a substantial commitment to positioning New York as a leader in next-generation technology research and development.

- \$275 million and an additional \$125 million in private funding to create an Empire AI Consortium, a partnership of New York's public and private-research institutions and launch a state-of-the-art artificial intelligence computing center in Buffalo to be used by New York colleges and universities.
- Includes the Artificial Intelligence Deceptive Practices Act which provides legal protections against misleading or deceptive media created by artificial intelligence.
- \$200 million to create One Network for Regional Advanced Manufacturing Partnerships (ONRAMP) to construct four new workforce development centers in upstate New York.
- \$150 million in new capital grants for the Regional Economic Development Councils (REDC).
- \$200 million for another round of the Downtown Revitalization Initiative (DRI).
- \$100 million for the FAST NY Shovel-Ready Grant Program to prepare sites for large employers.

Energy and Environment

The Enacted Budget includes funding for environmental and energy priorities such as funding for clean water infrastructure and the Environmental Protection Fund. Most notably, the Enacted Budget created the Office of Renewable Energy Siting and Electric Transmission with the goal of facilitating the development of the state's energy infrastructure.

- \$500 million for clean water infrastructure.
- \$400 million for the Environmental Protection Fund.
- \$47 million to support the Governor's goal to plant 25 million trees by 2033.
- \$50 million to provide an energy affordability guarantee to participating low-income residential customers who make efficiency improvement to their homes consistent with the EmPower Plus Program administered by the New York State Energy Research and Development Authority (NYSERDA).
- Prioritizes dormant electric generating sites in the development of build-ready sites.
- Creates the Office of Renewable Energy Siting and Electric Transmission to consolidate the environmental review, permitting, and siting process for renewable energy and major electric transmission facilities.
- Increases fees on hazardous air pollutants.

Transportation

The Enacted Budget includes several transportation initiatives. While the Governor's proposals for heightened penalties for fare and toll evasion saw adjustments, the Enacted Budget did not include these adjustments. Furthermore, Enacted Budget dedicates funding to enhance New York City and upstate transportation services.

- \$7.9 billion in operating aid for the MTA.
 - \$333 million for upstate transit systems.
 - \$551 million for non-MTA downstate systems, a 5.4 percent increase in funding.
 - Enacts the Stretch Limousine Passenger Safety Act which prevents the operation of a limousine while a driver is under suspension and mandates roll-over protection devices and anti-intrusion bars in limousines in addition to other mileage and equipment parameters.
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MEDIA

New York closing in on \$237B state budget with plans on housing, migrants, bootleg pot shops - April 19, 2024 ([Read at Associated Press](#))

Hochul, Adams take budget victory laps on cannabis, education - April 19, 2024 ([Read at New York 1](#))

What's in and out of the state budget - April 18, 2024 ([Read at City & State](#))
