



Fiscal Year (FY) '25 New York State Executive Budget Proposal

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OVERVIEW

On January 16, 2024, Governor Kathy Hochul announced her proposed [Fiscal Year 2025 \(FY '25\) Executive Budget](#) to the New York State Legislature. The address set the stage for budget discussions with state legislative leaders Assembly Speaker Carl Heastie and Senate Majority Leader Andrea Stewart-Cousins – rounding out the so-called “three people in a room” – as they embark on a critical financial process, reflecting a complex mix of continuity, adaptation, and response to evolving needs amidst challenging times. The proposed \$233 billion budget, crafted to close a \$4.3 billion gap without broad-based tax increases, is a significant indicator of the Governor’s fiscal approach, particularly relevant to those who seek a stable tax environment and clear economic direction.

In this budget, education and healthcare remain pivotal areas of focus. The proposed 2.4% increase in school aid signals an approach to educational funding impacted by shifting enrollment figures and fiscal realities related to expiration of federal funding. This is complemented by an additional \$825 million for schools and a \$90 million increase for SUNY and CUNY, emphasizing the state's investment in its future workforce. Addressing the ongoing migrant crisis, the budget allocates at \$2.4 billion for housing, legal aid, and job placement for migrants. This investment highlights New York's role in managing a social crisis with broader economic implications. The budget also reflects a keen awareness of New York's changing demographics, including an aging population, as well as outmigration patterns, essential factors that influence labor markets and consumer demographics.

The political context of this budget is equally crucial. With all 213 seats in the State Legislature up for re-election in 2024, there is an added layer of complexity to the budget process. This scenario may lead to heightened tension in discussions, especially as more progressive legislators could challenge the Governor's reluctance to raise taxes on the wealthiest New Yorkers. Such dynamics are likely to influence legislative negotiations and may shape the final contours of the budget, impacting the state's economic and regulatory environment.

Governor Hochul's FY 2025 Executive Budget presents a nuanced response to the fiscal and social challenges facing New York State. For key stakeholders and decision-makers, this budget outlines the strategic direction of the state's economy and regulatory landscape. Mercury will closely monitor the unfolding discussions and negotiations, as they will significantly shape the economic environment in New York State for the upcoming fiscal year. This approach underlines the importance of adaptive fiscal management in addressing both immediate and long-term needs of the state.

TOP HIGHLIGHTS

- \$232.7 billion in total spending for FY 2025 – a 0.5% increase from current fiscal estimate of FY '24 spending.
- \$136.2 billion for State Operating Funds – an increase of 4.5% from last cycle (State Operating Funds exclude federal funds and capital).
- \$2.2 billion in higher-than-expected tax revenue.
- Aims to close a \$4.3 billion budget gap without incorporating broad-based tax increases.
 - The budget gap is expected to reach \$5 billion in 2025, \$5.2 billion in 2026, and estimated to reach \$9.9 billion after 2027 without federal intervention.
- Maintains principal reserves at 15% of State Operating Funds spending to protect essential services in the event of an economic downturn.
- Includes a 1.5% cost-of-living adjustment (COLA) for human services workers. While the governor has committed to a COLA for the third year, it isn't the full 3.2% Council and other many in the nonprofit sector have advocated for and a COLA alone will not get us to full pay equity for human services workers.
- 2.4% increase in school aid – total education funding stands at \$35.3 billion.
 - Since 2019, there has been a 6% decline in public school enrollment – roughly 157,000 students.
 - Additional \$825 million for schools (\$507 million in Foundation aid increase), excluding \$96 million to cover the end of federal emergency aid.
- \$1.2 billion increase for SUNY and CUNY capital funding without any proposed tuition increases.
- \$2.4 billion to manage the ongoing migrant crisis – a continuation of the state's efforts, where last year's agreement included \$1.1 billion for migrant aid and support as more than 160,000 migrants have entered New York since 2022.
- 10.9% increase in Medicaid spending which has grown to \$3 billion due to higher-than-expected enrollment and long-term care services for elderly people.

- Nearly \$17 million in tax revenues from cannabis sales since the end of 2022 – an increase to \$158 million is expected as more stores are open and State enforcement efforts against illegal stores.
- Additional \$200 million from the opioid settlement fund to address the overdose crisis.
- \$50 million to aid community-based hospitals expand inpatient mental health services – a part of \$1 billion investment in mental health care.
- \$15 million to develop supportive housing for people with intellectual disabilities, and a combined \$12.4 million for housing and service teams.

KEY BUDGET PROPOSALS

Housing

The Governor addresses New York’s housing affordability crisis and provides funding to build affordable housing over the next five years and includes legislation to reverse State laws that restrict housing. The proposed budget also includes \$2.4 billion to shelter and resettle migrants.

- \$250 million in capital funding for the implementation of the Redevelopment of Underutilized Sites for Housing Initiative (NY RUSH).
- \$25 billion to create and maintain 100,000 affordable homes by the end of FY 2027.
- \$650 million in discretionary funding programs to encourage housing creation in development-averse areas such as Long Island.
- \$2.4 billion to support the migrant crisis, including the cost of shelter, social services, and resettlement.
- Proposes legislation specific to New York City to reverse State law that restricts maximum density of residential floor area (FAR), bolster local tax incentives to allow for affordable housing in office-to-residential conversions, and to legalize basement apartments, including a 4-year extension of the 421-a abatement program.

Health Care and Mental Health

The Governor focuses on improving healthcare by increasing health care affordability and access, while building on the healthcare investments made over the last two years. The budget also incorporates billions of dollars that were given by the federal government. The budget also takes action to reduce infant and maternal mortality in New York and expand access to mental health services.

- \$52 billion Federal Medicaid dollars to help support health care for more than 9 million New Yorkers.
- \$20.7 billion from the Federal government provides for a variety of other health programs administered by the Department of Health (DOH).

- \$7.5 billion in funding over the next three years through an amendment to New York's Medicaid Section 1115 Demonstration program.
- \$1.6 billion in new costs associated with Medicaid enrollment.
- \$74 million in Patient-Centered Medical Home enhancements for adults and children.
- Mental Hygiene system spending of \$10.9 billion in FY 2025, reflecting annual spending growth of \$814 million (8.0 percent).
- Recurring \$14.8 million to help eliminate Hepatitis C by 2030 and include HIV testing in routine blood work.

Education

The Governor proposes a historic level of funding for education, with a total of \$35.3 billion allocated for school aid, the highest in New York State's history. This further investment in education underlines a focus on the quality and accessibility of education across New York facing significant loss of federal dollars.

- Implement evidence-based best practices in reading instruction.
- \$35.3 billion in total School Aid for School Year 2025.
- \$507 million (2.1 percent) increase in Foundation Aid for School Year 2025.
- \$185 million for charter school supplemental tuition.
- \$120 million for charter school facilities aid.
- Extend mayoral control of New York City schools for an additional four years.
- \$1 billion for SUNY and CUNY capital projects and additional \$154 million in state aid for community colleges.

Children and Families

The Governor includes funding to provide resources to families and children such as assistance in childcare, investment in recreational activities, and expanding opportunities for students.

- \$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.
- \$1.8 billion in resources towards childcare assistance.
- \$1.7 million for early childhood mental health consultations across the State.

Public Safety

The Governor addresses the issue of retail theft with significant funding specifically aimed at tackling property crimes and providing relief to small businesses affected by organized retail theft rings. Key initiatives include deploying dedicated State Police teams with new funding to combat organized

retail theft rings and establishing specialized units for this purpose. Additionally, funds are allocated for District Attorney Offices to strengthen their ability to prosecute property crime cases, further bolstering efforts to combat retail theft in New York.

- \$290 million for crime prevention, law enforcement, prosecution, and reentry services.
- \$347 million in programs to prevent and reduce gun violence.
- \$40.2 million for retail theft detection and prevention measures.
- \$40.8 million to prosecute domestic violence and support survivors.
- \$35 million for the next round of the Securing Communities Against Hate Crimes (SCAHC) program
- \$6.1 million in investments designed to improve reentry into the workforce, reduce recidivism, and increase community safety.

Economic Development and Public Investments

The Governor presented several proposals in her proposed budget on developing New York's workforce and attracting large technology employers. Her proposals aim to promote job creation, job retention, workforce development, and the revitalization of communities across New York State.

- \$225 million in new capital grants for the Regional Economic Development Councils (REDC).
- \$100 million for another round of the Downtown Revitalization Initiative (DRI).
- \$75 million in new Excelsior tax credits through Empire State Development Corporation (ESDC) to fund high regional priority projects.
- \$200 million in new and existing capital and other resources to support the launch of the One Network for Regional Advanced Manufacturing Partnerships (ON-RAMP).
- \$100 million for the FAST NY Shovel-Ready Grant Program to prepare sites for large employers.
- \$82.5 million in new spending through the Olympic Regional Development Authority to make the state a destination for winter recreation and travel.

Energy and Sustainability

Governor Hochul's proposed budget includes funding for New York's energy, environmental, and agriculture agencies. These agencies are fundamental to environmental conservation and protecting New Yorkers from climate change.

- \$500 million in clean water infrastructure funding, over two years.
- \$400 million for the Environmental Protection Fund (EPF).

- \$50 million to ensure that customers who fully electrify their homes through the NYSERDA EmPower+ Program do not spend more than six percent of their income on their electric bill.
- \$200 million for OPRHP to invest in enhancing and improving state parks.
- \$47 million is committed to facilitate the planting of 25 million trees by 2033.

Transportation

The Governor's proposal includes investment for the state's transportation system in the efforts to improve the transit systems and increase mobility. The investments are also for improving conditions of the State's roads, bridges, airports, rail facilities, transit system and port. The budget also is investing to enhance and expand the Metropolitan Transportation Authority (MTA).

- \$7.6 billion for the third year of a record \$32.9 billion, five-year DOT Capital Plan that will facilitate the improvement of highways, bridges, rail, aviation infrastructure, non-MTA transit, and DOT facilities.
- \$7.9 billion in State operating aid to the MTA.
- \$45 million in state funding to build the Interborough Express (IBX), a light-rail project to connect Brooklyn and Queens residents.
- \$323 million for Upstate transit systems.
- \$100 million for the local Pave Our Potholes program.
- \$150 million in highway aid through the PAVE NY program.
- \$200 million to fund local projects from the BRIDGE NY program.

Technology & Innovation

The Governor places a strong emphasis on technology and innovation, particularly in the realm of artificial intelligence (AI). The budget includes plans to establish a state-of-the-art AI computing center, aimed at boosting research and development in this field. The budget proposes investment 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.

- \$250 million to create the Empire AI Consortium, a partnership of New York's public and private-research institutions, that will establish a state-of-the-art artificial intelligence computing center to promote research and development.
 - Empire AI will be supported with \$125 million from private partners and \$25 million from SUNY.
- \$1 billion in new and existing resources to construct a new 50,000 sq. ft. facility to support the High NA Extreme Ultraviolet (EUV) Lithography Center and procure a High NA EUV tool.

- Establish a next-generation research and development center at NY CREATES' Albany NanoTech Complex.
- \$110 million to create One Network for Regional Advanced Manufacturing Partnerships (ONRAMP) to construct new workforce development centers in upstate New York and provide training opportunities related to advanced manufacturing.
- \$100 million to continue investing in shovel-ready sites to attract high-tech manufacturing to New York.

Taxes and Revenue

The Governor proposes several tax compliance and relief initiatives aimed to clarify tax obligations and improve business compliance, but also provide relief and simplification in certain areas. The FY 2025 Executive Budget Financial Plan is designed to reduce future budget gaps to \$5 billion in FY 2026, \$5.2 billion in FY 2027, and \$9.9 billion in FY 2028.

- Subjects all vacation rentals to State and local sales taxes, as well as the daily NYC Convention Center hotel fee of \$1.50 per unit.
- Clarify the telecommunications property tax exclusion so that only property that is primarily or exclusively used in the transmission of radio, television, or cable signals receives the exemption.
- Permanently extend the tax shelter provisions that provide penalties for abusive tax shelters.
- The state expects to receive \$2.6 billion in funding from the federal infrastructure law for water infrastructure projects.
- Extends the sales tax exemption for required transfers under the Dodd-Frank Wall Street Reform and Consumer Protection Act for 3 years.
- Stipulates that amended sales tax returns are subject to similar limitations as other tax filings and implements new process standards.
- Permanently extend authorization to manage delinquent sales tax vendors to improve vendor compliance.

MEDIA

The New York Times: [Migrant Costs Help Push New York State's Budget to \\$233 Billion](#)

Gov. Kathy Hochul unveiled a spending plan on Tuesday that called for \$2.4 billion to help New York City with its migrant crisis.

Gov. Kathy Hochul of New York on Tuesday unveiled a \$233 billion budget that includes \$2.4 billion to help New York City manage its migrant crisis — a \$500 million increase over last year's allotment.

The package will help cover the costs of sheltering migrants and asylum seekers, as well as provide funds for case management, National Guard staffing, medical and legal bills, and employment-related services.

Under Ms. Hochul's proposal, New York State will take over funding for roughly 3,000 beds, fully covering the cost of existing shelters at Creedmoor, the state psychiatric hospital in Queens, and at Randall's Island. This will come on top of the state's pledge to fund a 2,000-bed shelter at Floyd Bennett Field in Brooklyn.

The state's commitment, which comes despite a projected \$4.3 billion budget gap, speaks to the political urgency of the crisis for Democrats, who will be forced to defend their party's handling of immigration in a presidential election year.

Looming increases to Medicaid will require the state to spend an additional \$3 billion in related costs this year.

The state will be aided by \$2.2 billion in higher-than-expected tax receipts, but even so, officials say, it will need to find savings. Budget officials identified Medicaid reimbursement rates and some service reductions, as well as changes to the policy for funding public schools, as potential areas for savings.

The \$2.4 billion in state spending targeted for migrant costs still falls short of the \$10 billion that Mayor Eric Adams of New York City has said the crisis will cost the city to house migrants through the summer of 2025. (The Adams administration previously projected the crisis would cost the city \$12 billion before revising that estimate last week.)

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Spectrum NY1: [Hochul's \\$233 billion budget proposal addresses migrant crisis, Medicaid costs, education funding](#)

New York Gov. Kathy Hochul proposed an executive budget Tuesday for Fiscal Year 2025 that will reach a record-breaking \$233 billion funding plan if approved – exceeding last year's \$229 billion package – that includes funding for public safety, health care initiatives, education and affordability, as well as money to address the state's ongoing migrant crisis.

"The big three are school aid, Medicaid and migrants," budget director Blake Washington told Spectrum News Monday.

He said spending increases in those three sectors, as well as a drop in federal pandemic aid, have driven up state operating funds by \$5.9 billion.

“We've committed \$1.9 billion to the migrant crisis and what we're trying to do tonight is just figure out where that number lands in [2025],” he said.

Hochul said she will be traveling to Washington, D.C. on Friday to ask the Biden administration for more money to deal with the migrant crisis but didn't say if she'd be meeting with the president directly. She also urged Congress, particularly the House of Representatives, to "remain at the negotiating table" for an immigration agreement.

Hochul's budget calls for \$2.4 billion to help manage the migrant crisis, including \$500 million from the state's reserves.

Despite the added costs of the migrant crisis, Washington said there are no recommendations calling for increased taxes on high earners or corporations.

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New York Daily News: [N.Y. Gov. Hochul to propose \\$233B budget with \\$2.4B for migrants](#)

Gov. Hochul on Tuesday proposed a \$233 billion budget that would include about \$2.4 billion for the city's migrant crisis, vowing not to raise taxes but declaring that the state “must support the City of New York in this moment.”

The governor continued her calls for more federal support to assist with the asylum seeker surge — saying that she would visit Washington, D.C. on Friday — but said she expected the city would continue to be “swimming against the tide” for the time being.

As part of her budget, the governor said she would make a one-time dip into the state's financial reserves to support the city with what she called a “humanitarian crisis.”

“We're doing this not just because it's the right thing to do” the governor said in a speech from Albany. “We also know that companies won't do business in New York if there are thousands of people sleeping on the streets.”

Almost 70,000 asylum seekers are in city care, according to government estimates. Throngs of migrants, many fleeing political upheaval and poverty in Central and South America, have streamed into the state since spring 2022, some apparently attracted by New York City's unique rules requiring the government to shelter arrivals.

Hochul's budget proposal sets off months of negotiations with lawmakers ahead of an April 1 deadline to pass the budget.

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POLITICO: [Hochul to boost migrant spending to more than \\$2B](#)

The migrant crisis could cost New York taxpayers more than \$2 billion under a proposal in Gov. Kathy Hochul's \$233 billion budget released on Tuesday.

Hochul proposed spending \$2.4 billion to address the ongoing migrant crisis, which would come on top of the \$1.9 billion the state has spent in the last year.

The money is expected to go toward National Guard deployment, short-term shelter services and relief centers at state-funded housing sites that include Creedmoor Psychiatric Center, Randall's Island and Floyd Bennett Field.

The state will also continue to provide "humanitarian aid" for New York City, which has seen an influx of more than 160,000 migrants in the last several years. Mayor Eric Adams, who will also release a budget plan for the city on Tuesday, has pressed for additional state and federal aid to address the flow of migrants.

New York lawmakers and Hochul last year previously agreed to a \$1.1 billion spending plan for migrants, but costs nearly doubled as officials opened more shelter facilities.

State spending would increase 4.5 percent to \$136 billion.

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