



## Harter Secrest & Emery LLP

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### MEMORANDUM

TO: Clients

FROM: Harter Secrest & Emery LLP

DATE: January 21, 2020

RE: Governor Cuomo's 2020 - 2021 Proposed State Budget

Governor Andrew Cuomo delivered his proposed 2020 - 2021 State Budget presentation today. The budget address highlighted many of the priorities that the Governor had laid out in his State of the State address two weeks ago. The Governor has proposed a budget totaling \$178.6 billion, which is a 2% increase over the 2019 - 2020 proposed budget. Ahead of this budget presentation, there was a \$6.1 billion budget deficit, and everyone was focused on how the Governor would tackle this deficit. The Governor is proposing to eliminate the budget deficit without any proposed tax or fee increases. Instead, the Governor is looking to eliminate the deficit by achieving savings through controlling growth and spending in key areas, looking for spending efficiencies and focusing on initiatives and actions that streamline spending, including cutting funding aid to localities.

While there are many details included in the Governor's spending plan, he started his presentation with his top 10 budget points for 2020: most aggressive climate change agenda in the country; largest building program in NYS history; greatest funding for housing and services for members of the homeless community, including those with mental illness; greatest funding to combat child poverty in NYS history; fighting division and enhancing public safety; protecting democracy and ensuring transparency in government; reforming Medicaid for the future; safeguarding public health; highest level of education funding in NYS history; and continue our unprecedented economic and social progress.

The two main areas of spending in New York are on healthcare and education. For healthcare, the Governor is proposing the return of the Medicaid Redesign Team (MRT II). MRT II is tasked with finding \$2.5 billion in savings that will not impact the costs to local governments and will have no impact on the care of patients in the system. In 2013, when the property tax cap was passed, the State assumed some of the local share of Medicaid costs. Local governments had been concerned that the large Medicaid deficit would result in these costs being put back on localities. The Governor's proposed budget does not put the costs back on the localities, but there are several proposals designed to increase the responsibilities of the local governments, including making a locality pay for more of their share of Medicaid costs if they exceed the 2% property tax cap.

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On the education side, the Governor is proposing a school funding increase of \$826 million for a total spending number of \$28.5 billion. He is also proposing that the formula used to fund education funding be reevaluated and that more aid be shifted to poorer school districts in the State.

The Governor's budget is also calling for \$33 billion to combat climate change, \$25 billion for infrastructure investment, and small business and middle-class tax cuts. His proposal also outlines a plan for the legalization of adult-use recreation marijuana, protections for workers in the gig economy, and guaranteed sick leave for all workers in New York.

Now that the Governor has released his proposed budget, the Assembly and Senate will spend the next few weeks holding budget hearings to receive testimony from groups in support and opposition to the Governor's various budget proposals. After the conclusion of the budget hearings, the Assembly and Senate will begin the process of putting together their one-house budget proposals, which outline each respective houses budget priorities. We anticipate these one-house budget bills will be released in early March. Once those are released, the joint budget committees will convene and negotiations will begin between the Assembly, Senate and Governor with the goal of completing the negotiations by April 1 so that there is an on-time budget for the State.

The budget language will be released shortly. As we begin to review the language and proposals, we will send you information of interest to you.

Please let us know if you have any questions.