



O'DONNELL  
& ASSOCIATES  
Intelligence. Guided by Experience.

# 2025 ALBANY PREVIEW

What to expect in Governor Kathy Hochul's State of the State Address, State Fiscal Year 2025-26 Budget, and 2025 Legislative Session



**O'Donnell & Associates**

Buffalo | Rochester | Albany | NYC | Washington D.C.

## Overview

The fiscal and legislative picture for New York State in 2025 is coming into focus. As of the first week in January, there have been over 850 bills pre-filed in the Senate and Assembly for 2025 Legislative Session and Governor Kathy Hochul has begun to highlight her State of the State priorities for 2025, which will include her [Affordability Agenda](#).

**2025 promises to be tumultuous.** The Trump Administration and complete Republican control in Washington will bring seismic changes to Transportation & Infrastructure funding, Medicaid, and just about every area that the federal government touches New York.

Governor Kathy Hochul will likely be on defense with the federal government for the first time in her tenure. The Biden Administration sent trillions in funding to New York State, enacted friendly policies, and acted largely as allies. Furthermore, the United States Senate was led by New York's long-time Senior Senator Chuck Schumer. Under the Biden Administration and Democratic/Schumer Controlled Senate, [CHIPS for America brought billions to New York State and microchip manufacturer, Micron, to Central New York](#); the [Infrastructure Investment and Jobs Act \("IIJA"\) or Bipartisan Infrastructure Law](#) brought \$22.6 billion for Transit, \$1.8 billion for broadband, and \$2.1 billion for water infrastructure; and the Inflation Reduction Act brought over \$1.5 billion in clean energy investments<sup>1</sup>, [and the American Rescue Plan Act \("ARPA"\)](#) brought \$12.75 billion to New York State<sup>2</sup>; and billions more to local governments throughout the State. The Federal Centers for Medicare and Medicaid Services allowed New York State to operate one of the Country's largest Medicaid programs with relative autonomy. *The list goes on...*

While specifics will become clearer when the 119<sup>th</sup> Congress convenes January 3<sup>rd</sup>, President Donald Trump, new Republican United States Senate Majority Leader John Thune (R-ND), Republican Speaker of the House Mike Johnson (R-LA) will not be as friendly to New

### Key Dates

- **January 8<sup>th</sup>**—2025 Legislative Session Convenes
- **January 14<sup>th</sup>**—Governor Kathy Hochul State of the State Address
- **January 21<sup>st</sup>**—Final Day for Submission of the State Fiscal Year 2025-26 Executive Budget
- **February 20<sup>th</sup>**—Amendments to the State Fiscal Year 2025-26 Executive Budget are due
- **April 1<sup>st</sup>**—Beginning of State Fiscal Year 2025-26
- **June 12<sup>th</sup>**—Final (scheduled) day of Legislative Session

<sup>1</sup> "Funding Overview." *NY State Infrastructure Hub*, [infrastructure.ny.gov/pages/overview](https://infrastructure.ny.gov/pages/overview). Accessed 26 Dec. 2024.

<sup>2</sup> New York State Division of the Budget. *NYS Initial Plan for American Rescue Plan State and Local Fiscal Recovery Funds*, [www.budget.ny.gov/pubs/press/2021/slfrf/slfrf-recovery-plan.html](https://www.budget.ny.gov/pubs/press/2021/slfrf/slfrf-recovery-plan.html). Accessed 26 Dec. 2024.

York, meaning Governor Kathy Hochul, Senate Majority Leader Andrea Stewart-Cousins, and Speaker Carl Heastie will have to work harder and be more innovative than any time in the last four years.

At the same time, New York State will have to confront challenges of its own that have nothing to do with the new Leadership in Washington D.C.: from very difficult conversations around Foundation Aid for School Districts across the State, to increasingly difficult timelines for renewable energy and greenhouse gas emissions reduction in the *Climate Leadership and Community Protection Act*, to fixing long standing problems throughout the State's Medicaid System.

*Leaders in Albany have a full plate and there will be a lot of policy and fiscal decision making to watch over the next six months.*

## 2024 Election Review and Key Changes Coming in 2025

Throughout the 2024 election cycle, O'Donnell & Associates provided its [comprehensive analysis](#) on the key races in New York and [around the nation](#). The Elections obviously brought some major changes for 2025 both in Washington in Albany that will undoubtedly impact the 2025 Budget Process and Legislative Session in Albany.

**Washington:** In 2024, Senate Democrats saw their former colleagues George Latimer in Westchester, John Mannion in Syracuse, and Tim Kennedy in Buffalo win key Congressional races. For the cycle, Democrats did well in New York flipping four competitive House seats including NY-3 (Tom Suozzi), NY-4 (Laura Gillen), NY-19 (Josh Riley), and NY-22 (John Mannion). Governor Hochul, U.S. Senator Kirsten Gillibrand, Leader Hakeem Jeffries, and State Party Chairman Jay Jacobs were key stakeholders in the successful Coordinated Campaign of the State Democratic Party.

With Congresswoman Elise Stefanik expected to be confirmed as U.S. Ambassador to the United Nations in the Second Trump Administration, there will be a Special Election for NY-21 in early 2025. While surprises can happen in a Special Election, Democrats face a considerable up-hill battle in the North Country, even if they had successfully convinced Assembly Member Billy Jones to run. However late Friday afternoon, Jones said he is out, saying [“my focus should be on doing my job. The job people elected me to do another two years and I enjoy it. I want to continue the work that we have done in the last eight years and continue to make the lives better of people here in the North Country.”](#)

**Albany:** With the defeat of Senator Iwen Chu in Southern Brooklyn, Senate Democrats lost their supermajority but will return to Albany with a strong majority of 41 members in 2025. Majority Leader Stewart-Cousins will be welcoming Siela Bynoe (Nassau), Pat Fahy (Albany, Montgomery, Schenectady), Chris Ryan (Onondaga, Oswego), and April Baskin (Erie) to her ranks while Minority Leader Rob Ortz will be celebrating the addition of Steve Chan (Brooklyn) that will add racial and geographic diversity to the Senate Minority.

Assembly Democratic pickups of Rebecca Kassay (Suffolk), Judy Griffin (Nassau), and Aron Wieder (Rockland) will help offset the losses of Gina Sillitti (Nassau) and Monica Wallace (Erie). In addition to those pick-ups, Speaker Heastie will be welcoming the additions of Tommy John Schiavoni (Suffolk), Noah Burroughs (Nassau), Larinda Hooks (Queens), Claire Valdez (Queens), Kalman Yeger (Brooklyn), Micah Lasher (Manhattan), Jordan Wright (Manhattan), Emerita Torres (Bronx), Patrick Carroll (Rockland), Aron Wieder (Rockland), and Gabriella Romero (Albany) to the Assembly Majority.

Minority Leader Will Barclay will be celebrating the pick-up of Patrick Chludzinski (Erie) along with additional new Upstate members in Andrea Bailey (Finger Lakes) and Paul Bologna, Joseph Sempolinski, and Andrew Molitor from the Western New York delegation.

### **Legislative Committee & Staff Shakeups Coming in 2025:**

Speaker Heastie announced his intent to appoint Assembly Member Gary Pretlow as the new Chair of the powerful Ways and Means Committee. Pretlow, who has served in the Assembly since 1992, will succeed Helene Weinstein who is retiring. Due to other members either retiring or leaving the Assembly, new Chairs will also be announced by Speaker Heastie when he is formally re-elected in 2025 for Higher Education, Mental Health, Corporations, Authorities & Commissions, Tourism, Parks, Arts & Sports Development, and Local Governments.

Earlier in 2024, Senator Jeremy Cooney was appointed by Majority Leader Stewart-Cousins to chair the Senate Transportation Committee when former Chair Tim Kennedy was elected to Congress. With the departure of John Mannion to Congress, the retirement of Neil Breslin, and the defeat of Iwen Chu, Majority Leader Stewart-Cousins will also be naming new Chairs for Disabilities, Insurance, and Libraries. Additional chairs are also likely to change apart from those committees in the bi-annual tradition of the committee carousel.

After a dedicated tenure with the Senate Democrats, former Chief Counsel Eric Katz departed over the summer to pursue other opportunities. OD&A congratulates Jonathan Lang and Dorothy Powell on their promotions to Secretary of Majority Counsel & Program and Counsel to the Majority respectively.

### **Looking Ahead To the Politics of 2025 & Beyond:**

**Governor Hochul:** While Governor Hochul received insider credit for investing in a robust State Party Coordinated Campaign that contributed to four House pick-ups over the cycle, and supporting the retention of strong Senate and Assembly majorities, it has not done much for the Governor in her polling numbers with voters. In the December 2024, Siena College Research Institute poll, the Governor retains a 39-49% favorability rating, up modestly from 36-51% in October. Hochul's job approval numbers did get a bump to 46-49% from 41-51%.

However, when voters were asked if they'd vote to re-elect Hochul, only 33% said they'd vote to re-elect the Governor and 57% wanted someone else.

Whether it's a likely Republican challenger in Congressman Mike Lawler or a potential Democratic primary challenge from Congressman Ritchie Torres, Hochul is facing the reality that both her favorability and job performance remain underwater. The Governor has not had a positive favorability rating since January 2024 and has never had 50% or more voters view her favorably.

Hochul has proposed an "Inflation Refund" check as one of her 2025 proposals to address the cost of living, which voters are saying should be at the top of the Albany priority list. Beyond the cost of living, affordable housing, crime, and the handling of the influx of migrants are top of mind for voters.

**New York City:** In New York City, incumbent Mayor Eric Adams faces continuing legal and political fights. Numerous contenders have entered the arena to take on Adams including City Comptroller Brad Lander, former City Comptroller Scott Stringer, State Senators Zellnor Myrie and Jessica Ramos, Assembly Member Zohran Mamdani, former Assembly Member Michael Blake, and attorney Jim Walden.

With City Comptroller Brad Lander entering the Mayoral Primary, Manhattan Borough President Mark Levine, Brooklyn City Councilmember Justin Brannan, State Senator Kevin Parker (Brooklyn), and Assembly Member Jenifer Rajkumer (Queens) have all stepped up to seek this influential New York City office.

The most intriguing races for Borough President are in Manhattan, Brooklyn, and in the Bronx. In Manhattan, Senator Brad Hoylman-Sigal and term-limited Council Member Keith Powers have a high-profile matchup while incumbent Vanessa Gibson faces a strong challenge from Council Member Rafael Salamanca in the Bronx. In Brooklyn, incumbent Antonio Reynoso defends his seat against Khari Edwards.

Nine council members (7 Democrats and 2 Republicans) cannot run for re-election due to term limits including Keith Powers (running for Manhattan BP), Justin Brannan (running for City Comptroller), and Rafael Salamanca (running for Bronx BP). Other term-limited councilmembers are Carlina Rivera (CD-2, Manhattan), Diana Ayala (CD-8, Manhattan/Bronx), Francisco Moya (CD-21, Queens), Adrienne Adams (CD-28, Queens), Bob Holden (CD-30, Queens), and Joe Borelli (CD-51, Staten Island).

**Long Island:** In Nassau, Republicans will be defending the electoral gains they made in 2021 in key victories with Bruce Blakeman as County Executive, Anne Donnelly as District Attorney, and Elaine Phillips as County Comptroller all up for re-election. They'll also be defending their Majority in the County Legislature where Democrats need to pick-up three seats to win control.

Further to the east, Republicans will be defending the Suffolk County DA and their supermajority in the County Legislature where Democrats need four seats to flip that chamber.

**Hudson Valley:** With Westchester County Executive George Latimer being elected to Congress, Westchester will have a Special Election in early 2025 for County Executive to be followed by the regular Primary and General Election. The favorite in the race is Latimer's deputy, Ken Jenkins. Other key races in the region include Orange County Executive, Rockland County Executive, Dutchess County Comptroller, Putnam County Sheriff, Ulster County Comptroller and Ulster County Clerk.

**Upstate:** While it remains to be seen whether New York City will elect a new mayor in 2025, it is a certainty that Buffalo will be electing a new Mayor. Acting Mayor Chris Scanlon, should he choose to run for a full term, will have his hands full in a Primary campaign that already features some prominent political players including New York State Senator Sean Ryan, former Fire Commissioner Garnell Whitfield, Buffalo Common Council member Rasheed Wyatt, former City Court Judge James McLeod, and community organizer James Payne.

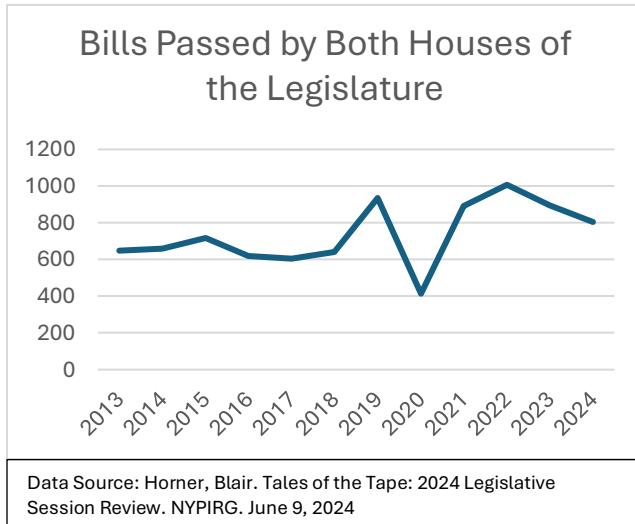
Incumbent Rochester Mayor Malik Evans waits to see if he'll face a primary. In Syracuse, incumbent Mayor Ben Walsh is term limited and cannot run for a third term. Deputy Mayor Sharon Owens, Common Councilors Patrick Hogan and Chol Mojak along with Jimmy Oliver, Police Engagement Officer have all declared their candidacies for the Democrats.

After three terms, Albany Mayor Kathy Sheehan will leave office at the end of 2025. Chief City Auditor Dorcey Applys announced her campaign to run for Mayor more than a year ago. Albany County Legislator Carolyn McLaughlin and political newcomer Dan Cerutti have also announced their intentions to run for Mayor in the Democratic primary. Albany politicians are also waiting to see if Common Council President Corey Ellis decides to enter the race. Applys will look to make history as Albany's first non-white Mayor.



## Trends to Watch in 2025

### Overall Legislative Productivity



While it is intuitive, it is important to start our analysis with the fact that two-House Democratic control of the New York State Legislature has meant a drastic increase in Legislative activity (save for the COVID-19 limited session of 2020). **We expect that trend to continue in 2025.**

In 2019—the first year of full Democratic control of the State Legislature—the number of bills passed by both Houses was 935, an over 45% increase from just a year prior—the final year of Senate Republican control (641 bills passed both

Houses that year). In the last six years of Senate Republican Control (2013-2018), the average number of bills passing both Houses was 650; from 2021-2024, the average was 900<sup>3</sup>. In short, this means regardless of substance, there are more bills being considered on the third floor and more to watch.

For a long time, [the alliance between former Governor Andrew Cuomo, the Republicans and the Independent Democratic Conference in the Senate, and the Assembly Democrats had a “moderating” influence on the policies coming out of Albany each year.](#) Cuomo worked with Speakers Carl Heastie and Shelly Silver and Republican Senate Majority Leaders Dean Skelos and John Flanagan to develop a “leadership led” three-way rapport that tended to dominate the budget process and Legislative Session. Senate Majority Leader Andrea Stewart-Cousins, and to a certain degree even Assembly Speaker Carl Heastie, have increasingly moved toward a model of member-level input in their Conferences, meaning more “real” discussions, and more standalone bills to watch in May and June.



### Governor Hochul’s Relationship with the Legislature

In January 2022, [Governor Kathy Hochul delivered her first State of the State Address in the Assembly Chamber,](#) returning to a tradition that had been broken by her predecessor Andrew Cuomo. The address was a microcosm of a broader promise of “collaboration” and

<sup>3</sup> Data Source: Horner, Blair. Tales of the Tape: 2024 Legislative Session Review. NYPIRG. June 9, 2024

a “new Albany” where there would be a culture shift in the Executive Chamber ushering in an era of transparency, government ethics, and cooperation.

*In short, things have changed quite a bit since then.* Governor Hochul’s State of the State Address will not be in the Assembly Chamber this year; she has moved it to the Egg in the Empire State Plaza. The drifting from her Legislative counterparts is not just physical. In 2023 and 2024, [Governor Hochul vetoed 169](#) and 124 bills respectively. She angered many in the New York City-heavy Legislative Majority Conferences with her fiscal decision making, that included a major funding commitment for a new Bills Stadium and her [unilaterally pausing Congestion Pricing just as it was set to go into effect last year](#), as well as a number of recent vetoes on legislative priorities including the [Grieving Families Act](#), [prevailing wage for brownfields projects](#), and [child care assistance expansion bills](#).

On Christmas Eve, Heastie and Stewart-Cousins flexed their muscle in an unprecedented move; using their position on the little-known Metropolitan Transportation Authority Capital Program Review Board (“CPRB”) to [veto the MTA’s \\$65.4 Billion 2025-29 Capital Plan](#)—which was approved by the MTA Board in September—just a day before the plan would have been approved. More on MTA Capital policy later in this preview, but this is an important illustration of the increasingly tumultuous relationship between the Leaders in Albany.

## New York State’s Overall Fiscal Health

Overall, economic projections have improved slightly, but there is consensus between the Division of the Budget and the Office of the State Comptroller that the State could face some headwinds in the near future and this year’s Executive Budget Proposal will have to take those into account.

### **FY 2025 MID-YEAR UPDATE GENERAL FUND REVISIONS SAVINGS/(COSTS) (millions of dollars)**

	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Surplus/(Gap) at First Quarter Update</b>	<b>\$0</b>	<b>(\$2,340)</b>	<b>(\$4,259)</b>	<b>(\$7,250)</b>
Re-estimates to Tax Receipts	\$2,860	\$2,117	\$1,378	\$2,219
Re-estimates on Miscellaneous Receipts	\$223	\$150	\$150	\$150
Re-estimates to Disbursements	\$435	(\$105)	(\$46)	(\$902)
Re-estimates to All Other/Transfers	(\$1,174)	(\$498)	\$174	(\$664)
<b>Surplus/(Gap) After Re-Estimates</b>	<b>\$2,344</b>	<b>(\$676)</b>	<b>(\$2,603)</b>	<b>(\$6,447)</b>
Pension Prepayment	(\$1,900)	\$633	\$633	\$633
Transfers to Capital Projects Funds	\$56	(\$976)	(\$1,201)	(\$263)
Reserved for SALT Impacts	\$0	\$0	(\$3,200)	\$0
Prepayments/Rolls	(\$500)	\$0	\$0	(\$1,000)
<b>Surplus/(Gap) at Mid-Year Update</b>	<b>\$0</b>	<b>(\$1,019)</b>	<b>(\$6,191)</b>	<b>(\$7,707)</b>

Source: New York State Division of the Budget State Fiscal Year 2025 Mid-Year Update to the Enacted Budget Financial Plan, page 11.



[The Division of Budget's Mid-Year Update to the Financial Plan](#) included an improved economic outlook with increased estimated tax receipts of \$2 billion annually for the next four fiscal years, but it ultimately projected concerning outyear gaps: \$1 billion in State Fiscal Year 2025-26; \$6.2 Billion in State Fiscal Year 2026-27; and \$7.1 Billion in State Fiscal Year 2027-28; for a total structural imbalance of \$15.6 Billion.

State spending is down from its peak of 7.3% during the COVID-19 Pandemic, but it is still growing at an annual average rate of 4.8%<sup>4</sup>. Furthermore, the projected structural imbalance is *without* any changes to Federal tax policy.

### **What will Donald Trump Mean for New York State?**

The priorities and direction of President Donald Trump's Administration and a Republican Congress remain one of the biggest question marks heading into 2025. [The 119<sup>th</sup> Congress will convene January 3<sup>rd</sup>](#), just a couple of weeks before the Executive Budget is due. We will likely be seeing much of it playing out in parallel.

The politics of fighting or cooperating with the Trump Administration will be tricky for Governor Hochul and her Administration. Donald Trump made substantial gains throughout New York State in the 2024 Presidential Election winning five Counties won by Joe Biden, including Long Island's Nassau County which swung 14 points to the right from 2020. That is a notable statistic: [Nassau County has not supported a GOP Candidate since 1988 when George H.W. Bush won the county over Democrat Michael Dukakis.](#)



Beyond the politics, there is a lot at stake. For example when it comes to infrastructure, the way Congress wrote the Bipartisan Infrastructure Law (also known as the Infrastructure Investment and Jobs Act) left tremendous latitude and discretion to future Presidential Administrations to decide where and how to award competitive grants. Congress could also rewrite specific program rules<sup>5</sup>. On healthcare, the State is in the second fiscal year of its sweeping 1115 Medicaid Waiver Demonstration Program and received Federal approval on its tax on

---

<sup>4</sup> Orecki, Patrick, "The Quick Study for Quick Start." *Citizens Budget Commission of New York*, Citizens Budget Commission of New York, 15 Nov. 2024, [cbcny.org/research/quick-study-quick-start](https://cbcny.org/research/quick-study-quick-start).

<sup>5</sup> Xavier de Souza Briggs, Manann Donoghoe, et al. "What the Trump Administration Might Mean for the Future of the Bipartisan Infrastructure Law." *Brookings*, 5 Dec. 2024, [www.brookings.edu/articles/what-the-trump-administration-might-mean-for-the-future-of-the-bipartisan-infrastructure-law/](https://www.brookings.edu/articles/what-the-trump-administration-might-mean-for-the-future-of-the-bipartisan-infrastructure-law/).

Managed Care Organizations, which so far in California has had a net General Fund benefit of \$1.5 billion each year.

The calculus of fighting Trump might not be as cut and dried as his first Administration. For Governor Hochul, with reelection on the horizon in 2026 and negative favorability ratings, these decisions will not be easy.

## What to Watch: Policies and Predictions for 2025

### Governor Hochul's State of the State

Governor Hochul will deliver her State of State Address on [Tuesday, January 14<sup>th</sup> at 1 PM at The Egg](#). When she does, her main focus will be on [affordability and cost of living, which two-thirds of voters say is one of the top issues for Albany to address](#). She is also likely to continue the discussion on affordable housing; wade into discussions on crime; and take steps to address the on-going migrant crisis throughout the State.

[Hochul has already outlined one proposal on affordability](#): \$3 billion in direct payments or “Inflation Refunds” to New Yorkers making under \$300,000 (\$300 for single taxpayers making up to \$150,000 per year and \$500 for joint taxpayers making up to \$300,000 per year).

Governor Hochul will also highlight a proposal in the Executive Budget to ban cell phones in schools. This comes on the heels of a statewide listening tour where she heard from school districts and other stakeholders on how to appropriately shape a phone free schools initiative. The support from educators and school districts is strong. New York State



United Teachers (“NYSUT”)—along with School Superintendents, School Boards, New York State PTA, and Administrators—hosted the [Disconnected Conference](#) in September and [NYSUT members rallied at the Capitol just before the holidays](#).

### Undocumented Migrants

In November when asked how she would respond to Trump’s plans for mass deportation, Governor Hochul raised eyebrows amongst many immigration advocates when said she would be “the first one” to call Immigration and Customs Enforcement (“ICE”) to deport undocumented immigrants who break the law in New York State.



Where things go from here are not exactly clear but Hochul's statement raises questions in relation to a [2020 law that prevents immigration agents from making arrests in state and local courthouses](#), and could be a change of course from a [2017 Executive Order signed by former Governor Andrew Cuomo](#) that prohibits state agencies from cooperating with federal immigration authorities or asking about immigration

status, as well as New York City's sanctuary city policies that prevent local law enforcement from working with ICE.

Over the past several sessions, the Legislature has also made support for undocumented immigrants a priority, including the [Access to Representation Act](#) to provide migrants the right to counsel in immigration court with accompanying funding as well as [Coverage For All](#)—expanding New York's Essential Plan to cover undocumented immigrants' healthcare. Access to Representation Act sponsor, and increasingly influential Queens Democratic Assembly Member Catalina Cruz expressed faith in the Governor, [“Given the work my office has done with this administration, I have no doubt that these statements lacked context and dimension. I know that she will remain dedicated to advancing the goal of assisting those individuals and families that have come to New York.”](#)



### **Criminal Justice Reform**

[In December's Siena Poll](#), one third of respondents said crime was the top Albany issue. Over the past several years, progressives have had a number of wins on criminal justice reform: from 2021's HALT Act, which restricts the use of long-term solitary confinement in prisons to 2019 legislation ending the use of cash bail and jail for most cases involving misdemeanors and lower-level felonies—which lawmakers have subsequently revised three times.

When it comes to the HALT Act, the New York State Correctional Officers and Police Benevolent Association (“NYSCOPBA”) says with several recent high profile incidents the corrections system is at a tipping point. Governor Hochul has said she is looking at every avenue. HALT Act Sponsor and Senate Crime Victims, Crime, and Corrections Committee Chair Julia Salazar said, [“We have abundant evidence, and have for many years that solitary confinement is tantamount to torture. We know that it actually causes long term harm to individuals... If we want to reduce violence in prisons, we should actually insist that DOCCS fully implement the HALT Solitary Confinement Act.”](#) Expect at least the HALT Act to be a discussion in 2025 Legislative Session.

Meanwhile, [the recent death of Robert Brooks at Marcy Correctional Facility likely will open a discussion on other parts of criminal justice policy](#). Governor Hochul visited the facility at

the end of the month and already has proposed a host of measures, including expediting \$400 million to install fixed cameras and distribute body-worn cameras in all DOCCS facilities, deploying \$2 million to expand DOCCS' partnership with the Correctional Association of New York ("CANY"), and creating a new dedicated unit on the Future of Prisons in New York State within the Council of Community Justice.

## Housing

In the past two budget processes, affordable housing has dominated the conversation. As the State contends with a growing housing shortage, the enacted proposals over the past few sessions have been extensive. Last year's budget included [a major housing deal](#) that included 485-x tax incentive to replace the expiring 421-a tax exemption aiming to stimulate construction of affordable housing in New York City, statewide tax incentives for mixed-income and 100% affordable housing units, and extensive capital funds for municipalities that adopted "[Pro-Housing Communities](#)" zoning policies through local resolutions, which subsequently makes capital incentives available to those municipalities through Empire State Development, very much the carrot vs. stick approach to getting localities to update their zoning laws.

Next to cost of living, affordable housing remains one of the biggest concerns of New Yorkers; with [half of respondents in December's Siena Poll saying that it was one of the top issues for Albany to address](#). We expect there will likely be more capital to encourage more municipalities across the state to adopt Pro-Housing Communities resolutions and amendments to local zoning laws, as well as potential expansions of tax incentives.

## Healthcare

One of the [largest cost drivers in New York State's budget process is Medicaid](#), which provides healthcare to over 7.5 million New Yorkers. Different parts of the care continuum have consumed most of the oxygen in the past several budget negotiations, and this year we will likely see similar pressures.

### *1115 Waiver Demonstration Program*

The State is currently in the second Fiscal Year of the [1115 Medicaid Waiver Demonstration Program, which runs from April 1, 2024 through March 31, 2027](#). The 1115 Waiver has brought about sweeping changes to Medicaid administration with the goals of increasing health equity and addressing Health Related Social Needs (HRSN). Some of the changes that will be underway in 2025 include regional Social Care Networks (SCN) that will help enrollees navigate unmet HRSN including transportation and housing, as well as Health Equity Regional Organizations ("HEROs") that will lead the way on innovations to address health disparities in health infrastructure across the State.

*Commission on the Future of Health Care*



Meanwhile, the [Governor’s Commission on the Future of Health Care’s first year recommendations were due before the end of 2024](#). The Commission is a 13-member advisory board that the Governor announced as part of her 2023 State of the State Address tasked with “providing ongoing strategic guidance to transform the health care system in New York State, with a goal of improving access to care, quality of care, and health outcomes.” The Commission met seven times between November 2023 and November 2024 and the recommendations for year one will focus primarily on Hospitals and Long Term Services and Supports, with the Commission transitioning to other areas of the care continuum, including behavioral health, substance use disorder, and community based care, in subsequent years. Given the timing of the recommendations, it is unclear how many will be implemented in this year’s Executive Budget Proposal when it is released the week of January 20<sup>th</sup>.

*The MCO Tax*

During the Holiday week, [the Federal Centers for Medicare and Medicaid Services approved the Hochul Administration’s waiver application for the proposed Managed Care Organization Tax](#), which was authorized at the eleventh hour in last year’s State Budget Process. The tax on Managed Care Organizations—which was first implemented in California—exploits the Federal/State share system of financing Medicaid, under which the Federal Government pays half (or more in some cases) of a State’s Medicaid expenses. The tax on health plans—skewing toward plans primarily serving low income enrollees in Medicaid—would in effect become a tax on the Federal Government unlocking billions in Federal Share aid in Medicaid... **we will have to wait and see how long the scheme makes it under a Trump-appointed led Department of Health and Human Services.**

**How New York’s Proposed MCO Tax Works**

<b>Insurance type</b>	<b>Member months</b>	<b>Rates PMPM</b>	<b>Gross receipts</b>
<b>Medicaid</b>	70.0 million	\$25 to \$126	\$2.7 billion
<b>Essential Plan</b>	12.1 million	\$7 to \$13	\$100 million
<b>Commercial</b>	49.3 million	\$1.50 to \$2	\$76 million
<b>Total</b>	<b>131.5 million</b>		<b>\$2.8 billion</b>

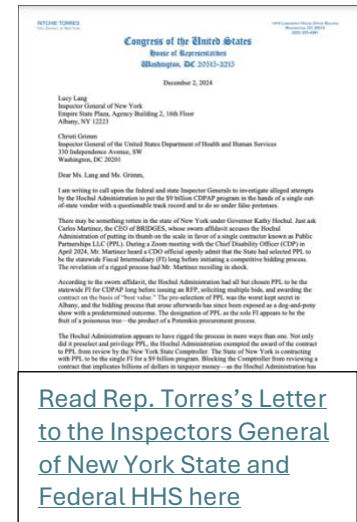
Source: Hammond, Bill. “New York’s Proposed ‘MCO Tax’ Would Generate a Fraction of What Lawmakers Expected.” *Empire Center for Public Policy*, 22 Oct. 2024, [www.empirecenter.org/publications/proposed-mco-tax-would-generate-a-fraction/](http://www.empirecenter.org/publications/proposed-mco-tax-would-generate-a-fraction/).

## New York Health Act

While it will not be enacted under this Governor, expect the *New York Health Act*—[which would create a single payer health program in New York](#)—to again be a topic of discussion in the Legislature. The conversation on statewide single payer model could also drive other smaller “single payer” models or “fee for service carveouts,” including the [proposed carve out of the Managed Long Term Care program](#) in the Legislature or discussions around a carve out of behavioral health services from the State’s Managed Care model (run by the health plans) into Fee-for-Service programs run by the Department of Health.

## CDPAP & Single FI Implementation in 2025

[The Consumer Directed Personal Assistance Program \(CDPAP\) dominated budget discussions last year and could again be a major topic of discussion.](#) The Program, which empowers chronically ill or physically disabled individuals to hire and manage their own personal assistance, has grown exponentially since it was enacted in 1995. It currently costs the State \$9 billion annually. A proposal in last year’s State Budget to streamline the fiscal intermediary structure goes into effect April 1, 2025. There are almost 700 FIs in the state currently which have been merged into one entity to manage the entire Program. The move has received significant political blowback, [including vociferous opposition from Legislators in every corner of the State](#) and a very public push from potential Hochul 2026 Primary Challenger United States House Rep. Ritchie Torres on the ethics of the changes and subsequent procurement.



## Energy & Environmental Conservation

Earlier this year, [the Public Service Commission admitted the State is unlikely to meet a key deadline set under 2019 Climate Leadership and Community Protection Act.](#) In their July [biennial review](#), the Public Service Commission (“PSC”) said that the 70% renewables goal will not be met until 2033 (rather than the 2030 goal in statute). Later in the Summer, [Comptroller Tom DiNapoli released a report lambasting the PSC and the New York State Research and Development Authority \(NYSERDA\) for using out of date data and underestimating the impacts of key dynamics like future cancelled projects placing even the 2033 timeline in doubt.](#) The New York Independent System Operator also [warned this summer of major grid reliability concerns unless substantial generating comes online.](#)

As Governor Hochul implements her affordability agenda, the potential impacts on ratepayers throughout the State looms large. The back and forth of “I told you so” from long time opponents, including the Business Council of New York State, pushing for Hochul to

loosen the statutory mandates in the CLCPA and environmental advocates will likely increase in volume this session. [“We are dangerously behind on the science-based mandates in CLCPA. It is time to redouble our efforts, and build a more affordable, healthier, livable future for New Yorkers,”](#) said Senate Finance Chair Liz Krueger.

While conversations on the future of the grid play out, a number of more specific initiatives will go into effect or be under serious consideration this year that are important to watch as well.

### *Cap and Invest Implementation*

The Cap and Invest Program—which was enacted as part of the State Fiscal Year 2024 Budget—is scheduled to go into effect this month. Based on modeling released in 2024, the economy-wide program aimed at reducing GHG emissions while [financing future renewable energy development is estimated to raise between \\$6 and 12 billion annually by 2030, with two thirds or \\$4-8 billion available for clean energy investments.](#)

### *NY HEAT Act*

The New York Home Energy Affordable Transition (HEAT) Act is perhaps the largest priority of environmental advocates in 2025. The [proposal would align the State’s utility regulations with its climate goals](#): capping energy bills for low/mod income households at 6% of their income, eliminating the “100-foot rule” that mandates subsidized gas hook ups, and amending rules mandating gas service with the hopes of facilitating transitions to renewable energy to meet the goals of the CLCPA. The bill passed the Senate last year, but advocates are hoping to get it through the Assembly and to the Governor’s desk this session.

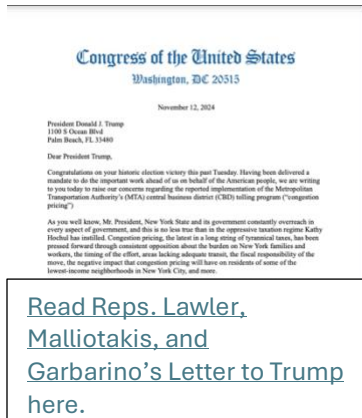
### *Extended Producer Responsibility (EPR)*

Implementing EPR, the policy that holds producers accountable for the entire life-cycle of their products, including recycling and final disposal, has been an on-going discussion for the past several legislative sessions. Governor Hochul and DEC Leadership, and Legislative Sponsors Senator Pete Harckham and Assembly Member Debbie Glick, all agree there is a need for an EPR program in New York. However, the lack of a three-way agreement—or even a two-way agreement—on the specifics has stopped proposals in both the Budget Process and regular legislative sessions. Governor Hochul proposed [the Waste Reduction and Recycling Infrastructure Act in her 2023 Executive Budget Proposal](#) based on feedback received in a series of listening sessions (that wound up falling out of the budget that year), and Senator Pete Harckham and Assembly Member Debbie Glick have a proposal of their own, [the Packaging Reduction and Recycling Infrastructure Act](#). It remains to be seen if stakeholders can reach a three-way agreement this year.

## Transit and Transportation

2024 was a very chaotic year in transit and transportation policy, transportation leaders hope to shore up some of the disarray in 2025.

### Congestion Pricing



We start with the long term future of the MTA. In June 2024, in parallel with the end of 2024 Legislative Session, [Governor Hochul announced an indefinite pause on the implementation of the Congestion Pricing](#), citing concerns on middle and working class families and the rising cost of living. She proposed a payroll mobility tax to make up the \$1 billion lost funding ([which led to broader \\$15 billion in lost bonding authority](#)) which failed at the end of session.

The Governor backed off on the pause and it goes into effect this month. However, the program faces on-going challenges—including from the House GOP, led by potential 2026 GOP Gubernatorial Challenger Hudson Valley Rep. Mike Lawler,

have already asked President Donald Trump to kill the Program. We will have to wait and see what 2025 holds for congestion pricing.

### Financing the MTA

Compounding pains around the MTA's 2025-29 Capital Plan... on Christmas Eve Assembly Speaker Carl Heastie and Senate Majority Leader Andrea Stewart-Cousins used their position on the little-known Metropolitan Transportation Authority Capital Program Review Board ("CPRB") to veto the MTA's \$65.4 Billion 2025-29 Capital Plan—which was approved by the MTA Board in September—just a day before the plan would have been approved.

["The proposed program currently faces a significant funding deficit, generally recognized to be at least \\$33 billion of the \\$65 billion proposed total subject to \[Capital Plan Review Board\] approval, which is a specific concern that needs to be addressed before we can approve the program," the letter from Stewart-Cousins and Assembly Speaker Carl Heastie states.](#) The MTA has 10 days to respond to the letter; however, Heastie and Stewart-Cousins said in the letter they plan to renegotiate that funding in this year's State Budget process, meaning the presentation of a new Capital Plan could be likely.



## *Financing non-MTA transit authorities*

Outside the MTA's service area, authorities are hoping to address long-standing gaps in their capital and operating funding models as well. Non-MTA Transit Authorities are asking for increases to help support growth in services and capital needs across the State as well. [The aggregate ask](#) for SFY 2025-26 is a \$290 million two-year increase in State Mass Transit Operating Assistance ("STOA") and a \$1 billion five year capital commitment (with \$200 million in SFY 2025-26).

## **Gaming**

Mobile Sports Betting—enacted in the State Fiscal Year 2022 Budget—has exploded in New York State. [Data from the New York Gaming Commission shows a 14.9% year over year increase in player spending, with a record \\$2.12 billion in revenue in October 2024.](#) Decision makers have turned toward the next big development: awarding three new commercial casino licenses in the Downstate Region.

### *Downstate Casinos*

In November, [Governor Hochul vetoed a bill that would have pushed up the timeline for Downstate Casino bids to this past August](#) (though she effectively pocket vetoed that bill when the deadline passed in August). The current deadline for bids is June 2025 with awards expected by the end of this year. The bids will bring a significant revenue windfall, with each bidder paying \$500 million per casino license, with proceeds going to the MTA, but Senate Gaming Chair Joe Addabbo noted revenues could be as high as \$750 million or \$2.25 billion per license.



### *iGaming & iPoker*

Senator Joe Addabbo is also leading a statewide conversation on what is next in internet and mobile gaming. [Proposed legislation would define online casinos featuring slots, blackjack, roulette, and craps as games of skill, legalizing them in New York State.](#) However, it has become increasingly clear that the legislation faces an uphill battle in three way negotiations before the State Gaming Commission licenses the three Downstate Casinos. Addabbo introduced narrower legislation legalizing internet poker in May of last year in hopes maybe the more specific approach could be successful.

## **Infrastructure**

Infrastructure overhaul has been a major topic of conversation over the past several years. As we discussed earlier in this summary, the Bipartisan Infrastructure Law and the Inflation Reduction Act have brought unprecedented funding to New York State over the past several

years, providing hope for long-stalled infrastructure priorities across the State like the 33/198 interchange in Buffalo, the I-81 viaduct project in Syracuse, and the interstate Gateway Project in New York City and New Jersey.

As of Fiscal Year 2023, New York State has received the third-largest appropriation of BIL funds at \$10.9 Billion<sup>6</sup>. It will be difficult for the Trump Administration to undo any existing projects or commitments, but BIL runs through 2026 and the Administration has broad autonomy for any future grantmaking, as well as any future surface transportation appropriations. It remains to be seen whether or not New York will be able to keep up the pace on infrastructure in SFY 2025-26 and moving forward.

## Labor

### *Combatting Wage Theft & Insurance Fraud*

Over the past several legislative sessions, New York State has taken extensive steps to combat wage theft legislatively, especially in the construction industry. This has included enacting [legislation allowing prosecutors to charge wage theft as larceny](#), the [Construction Industry Wage Theft Act](#)—which makes contractors liable for wage theft violations by any tier of subcontractor, and [contractor registration with the Department of Labor on all public work projects](#). This session, expect organized labor to push for funding streams that would allow local prosecutors to put these reforms into motion against unscrupulous contractors similar to programs in California around wage theft prosecutions and Workers Comp Enforcement.

### *Clarity Around Prevailing Wage and the Definition of Public Work*

Organized labor has fought the past several Legislative Sessions for better enforcement and clarity surrounding prevailing wage requirements in Labor Law 224-a—which requires that a construction project with at least \$5 million in project costs when receiving at least 30% public funds must pay prevailing wage to construction workers. Enacted in 2020, it was a significant win clarifying the definition of public work includes private projects receiving public subsidies. However even with significant improvements to the Law, ambiguities and inconsistent enforcement still allow many contractors across the State to find loopholes around the definition of public work, thus undercutting prevailing wage.

Organized labor is also expected to take aim at the Public Wage Subsidy Board, which is tasked with determining whether projects qualify as “public work” under prevailing wage laws. [The Board has been criticized for slow decision-making, a lack of transparency, and an overly narrow interpretation of public work on a number of projects across the State.](#)

---

<sup>6</sup> Statista Research Department. “Bipartisan Infrastructure Law Funding by State U.S. 2023.” *Statista*, 5 July 2024, [www.statista.com/statistics/1393868/funding-bipartisan-infrastructure-law-spending-state-us/](https://www.statista.com/statistics/1393868/funding-bipartisan-infrastructure-law-spending-state-us/).

This session expect further legislative reforms to clarify and strengthen the definition of public work, encompassing all projects receiving taxpayer funds or subsidies, as well as potential amendments to the Public Wage Subsidy Board process.

## Financial Services & Banking



It is very likely that the Senate and Assembly will be increasingly active on financial services and banking policy in 2025. First and foremost, Assembly Banks Chair Pam Hunter was elected President of the National Council of Insurance Legislators and is quickly becoming a national leader on financial services policy. Governor Hochul's Executive Chamber, Department of Financial Services Superintendent Adrienne

Harris, Hunter, and Senate Banks Chair James Sanders are also grappling with a changing financial services landscape with new financial services technologies ("fintechs"), including Earned Wage Access and Buy Now Pay Later. [Progressive Advocates would like to see these fintechs subjected to the State's Usury Laws](#), and proposed overarching legislation to do just that, while industry stakeholders are driving discussions to regulate these industries individually utilizing [emerging bright lines that have been enacted throughout the Country](#) that would allow for continued innovation to meet unmet consumer needs in the financial sector.

## Cannabis

New York State's Adult Use Cannabis Program has been off to a rocky start. The Office of Cannabis Management ("OCM")'s first [Executive Director, Chris Alexander, resigned last June](#) after a [bombshell multi-agency report directed by Governor Kathy Hochul's Executive Chamber found OCM had major problems in administration, licensing operations, and overall operation](#) of the State's Adult Use Cannabis Program. The State has also faced major challenges with unlicensed sales as well as a confusing and overly complex licensing and tax structure.

Last year's budget included a replacement for the convoluted and heavily criticized potency tax, [changing the model to a flat 9% wholesale tax](#). However, the Governor [vetoed legislation sponsored by Senator Jeremy Cooney and Assembly Member Donna Lupardo that would have further simplified the tax code](#), allowing distributors to file annual returns instead of quarterly. Expect further simplification of the Tax Code to encourage cannabis business development to be a part of this year's budget process.

Statewide, stakeholders are also calling on OCM and the Governor to ease the licensing process and speed up the process of getting legal retail businesses on the market. A recent report on New York's Adult Use Cannabis Market [suggested the State's cannabis market could hit \\$6 billion in the next two years, supporting 1,000 more retail businesses](#) if the State can effectively crack down on illegal shops and take a measured approach to legal expansion. Currently, the State has 222 licensed cannabis shops; but it could support 1,250-1,350 if even 85% of cannabis sales were made legally<sup>7</sup>. While the Governor's approach thus far has been to focus on administrative overhaul at the Office of Cannabis Management, we do expect there could be policy proposals coming in this budget and throughout legislative session to ease licensing burdens on applicants and speed up the process, as well as further actions targeting the illegal market.

### **Artificial Intelligence**

Governor Hochul and Legislators are just beginning to wrap their heads around the promise and threats of artificial intelligence, and the corresponding legislative bright lines that must be implemented to promote positive use cases while limiting the bad ones. [Over the holiday week, the Governor signed the \*Legislative Oversight of Automated Decision-making in Government \(LOADinG\) Act\*—Sponsored by Senate and Assembly Internet & Technology Chairs Kristen Gonzalez and Steve Otis](#)—which will require risk assessments and human oversight of high-risk AI systems used by State agencies. The bill was a priority for data privacy advocates as well as organized labor (led by AFL CIO) who do not want to see public sector workers phased out by the implementation of artificial intelligence systems by state agencies.

As a part of her 2024 State of the State Address, [the Governor also launched the Empire AI Consortium—anchored at OD&A client the University at Buffalo](#)—which will pair a state-of-the-art computing center as well as \$400 million in public and private investment (including \$275 million in state grant funding). It will bring together entrepreneurs, scientists, philanthropists, and others to make New York the center of future conversations on the development of AI.

We expect AI to continue to be a topic of conversation in this budget process and legislative session, with future investments to bolster Empire AI and the SUNY/UB/NYS partnership, as well as potential steps to address use cases in private sector AI to mirror the LOADinG Act.

---

<sup>7</sup> Whitney, Beau. "New York State Cannabis Program Retail Analysis." *Whitney Economics* , Oct. 2024, <https://whitneyeconomics.com/>.

## Data Privacy

When it was first introduced in 2019, the proposed [NY Privacy Act](#) would have been just the second comprehensive data privacy framework in the Country after California's (and third in the world after the EU's General Data Protection Regulation, which really kick started the conversation in 2018). In the last six years, *nineteen* states have enacted comprehensive data privacy laws. In several iterations over that time, New York's bill also went from being the strongest bill in the Country, primarily because it gave consumers a private right of action, to a framework that is more middle of the road in line with [other States' enacted frameworks with rights to access, control, and deletion](#).

The bill faces an uncertain path this session. Longtime thought leader Senate Consumer Protection Kevin Thomas did not run again last year, and Assembly Sponsor Nily Rozic has not indicated her plans for the bill. Nonetheless, these frameworks are becoming the norm for states across the Country and we expect New York to take the plunge eventually.

Albany insiders expect the data privacy conversation to be slower until decision makers agree on a path forward for the NY Privacy Act. However, biometrics—including facial recognition—could be an exception to that rule, with legislation limiting law enforcement as well as commercial use of facial recognition always being front of mind for the NYCLU and other privacy and civil rights advocates.

## Higher Education

The SUNY System and private institutions of higher education across the State both will have significant asks going into 2025-26. Over the past several budgets, Governor Hochul has driven major advancements for the SUNY system, including naming Stony Brook and the University at Buffalo flagship institutions, founding the Empire AI Consortium, and making significant campus by campus capital investments. That said, the system is at the center of several strategic areas of growth for the State, [including the newly designated federal Tech Hub](#), and will need to continue to fund that growth. Over the past few years, SUNY has fought for tuition flexibility to allow the system to meet growing programming and research—including the aforementioned Empire AI Consortium—at institutions across the State. However, [with the Legislature again unlikely to agree to any flexibility around tuition](#), it is likely that SUNY will again push for substantial operating aid as well as capital investment in this year's budget process.

[SUNY will also once again push for debt relief and investment in the SUNY hospital system](#)—which includes the hospitals at SUNY Upstate & Downstate, Stony Brook, and the Jacobs School of Medicine at the University of Buffalo which is the primary healthcare workforce development engine in Western New York.

When it comes to the State's private institutions, with three closures in the past several years—Wells College, Cazenovia College, and the College of St. Rose—and several more institutions in a state of financial crisis, private institutions across the State will fight hard for aid in the programs that can bring more students to private institutions. Some of the asks we expect from private institutions this session include key changes to the tuition assistance program, including increasing the income limit, maximum and minimum awards, and increasing funding in key opportunity programs, and increasing Bundy Aid to private institutions.

## **P-12 Education**

[The Board of Regents December meeting highlighted several education priorities for the State Fiscal Year 2025-26 Budget Process.](#) The Board of Regents called for a nearly \$2 billion increase in State Aid for the 2025-26 school year—providing schools with a total of \$37.6 billion. The requested increase comes just about a month after the [Rockefeller Institute on Government issued a 300-page report on Foundation Aid.](#) Foundation Aid has been an on-going fight and the report on how to fix the formula (which is currently based on decades old data) was commissioned as a part of last year's budget agreement. However, while the report has a number of recommendations, State Education Department ("SED") Commissioner Betty Rosa was clear that there is a lot more work to be done this year. "Recommendations are just that: recommendations. It stops short of the modeling, and we have got to be crystal clear on this: The devil's in the details of the modeling."

SED will also go to the Governor with a request of \$2.3 million in funding to implement new high school graduation requirements. Starting in School Year 2027-28, students will no longer have to pass Regents' exams to get their high school diploma. Over the next five years, SED expects to spend roughly \$11.5 million for staff and other support to develop the new measures.

Finally, educators and school districts are preparing for the Governor to roll out a phone free schools initiative in this year's Executive Budget Proposal. While the specifics are still being ironed out, the Governor will definitely be including a proposal that provides statewide guidance and support to districts in implementing Phone Free Schools programs to keep cell phones out of classrooms. The initiative has been a major priority of NYSUT and School Administrators alike. The Governor hosted a statewide listening tour this summer which culminated in the Disconnected Conference in the Fall.