

STATE BUDGET PRIORITIES 2023



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Budget Priorities

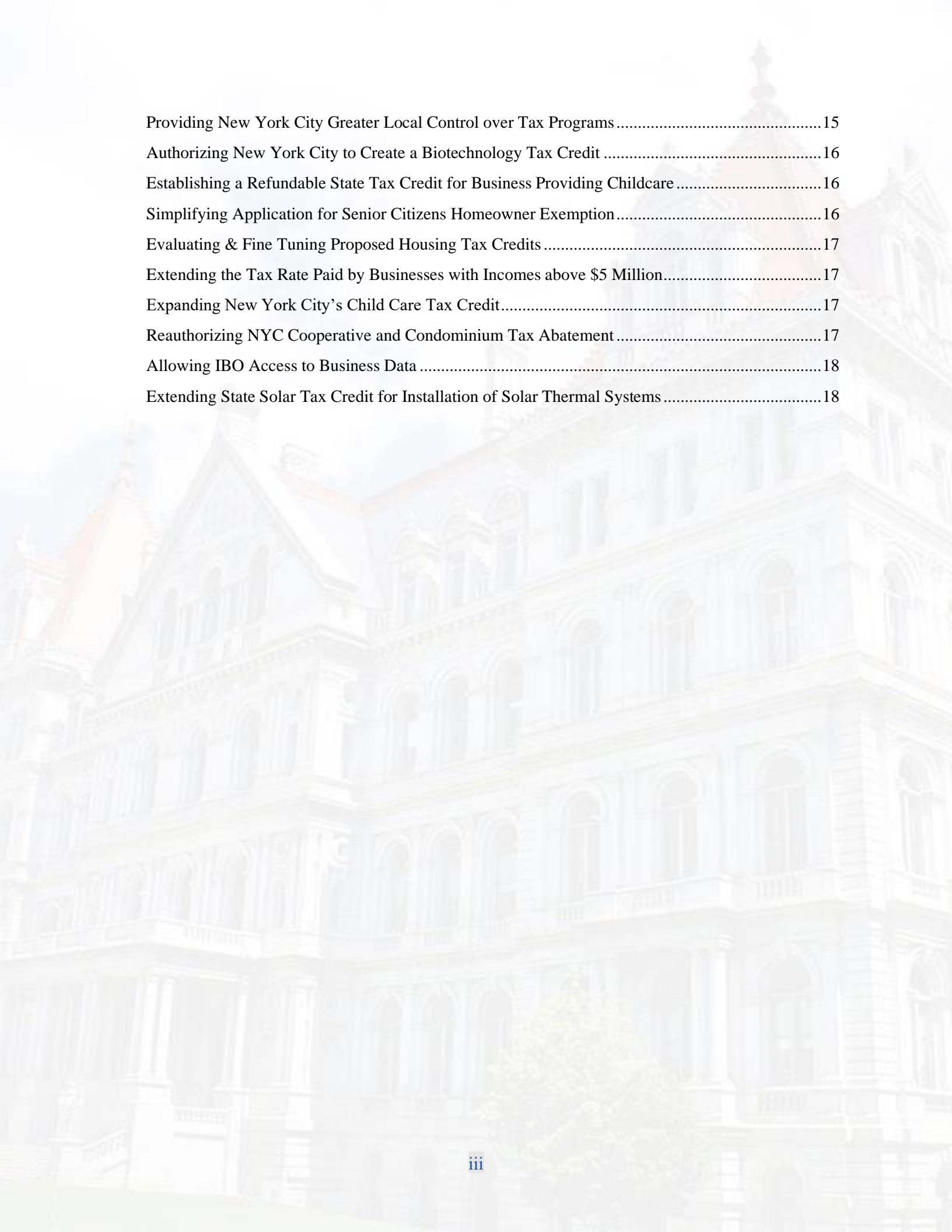
Executive Budget for State Fiscal Year 2024

The New York City Council (the “City Council” or “Council”) presents the following state budget priorities, as State leaders finalize a State Fiscal Year 2024 Budget, to help ensure New York City (“New York City” or the “City”) receives equitable and necessary support for its health, safety, and success.

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HOUSING

The New York State Executive Budget proposed by Governor Hochul on February 1, 2023 (the “State Executive Budget”) includes a number of policies intended to increase opportunities for housing construction around the state and in New York City specifically. The City Council commends both the Governor and the Mayor for prioritizing the creation of new housing in New York City. Additional efforts will be required to achieve our shared goals in confronting the housing crisis.

Providing Additional Capital Funding for Affordable Housing

While the City Council applauds the State’s \$25 billion five-year plan promulgated last year to create and preserve 100,000 affordable homes, one of the City Council’s key priorities is to develop and preserve more housing with deeper levels of affordability and a Fair Housing Framework. In order to accomplish this goal, more state funding and credits for affordable housing will be required than what is in the Executive Budget. Without additional capital funding, it will be harder for New York City to reach its housing production targets with the level of affordability that matches the need in our city. Given the stabilizing effect of housing for public health and safety, there is also a need for deeper investments in collaborative efforts to develop more supportive housing in New York City. Supportive housing is one of the most effective solutions to achieving stability for New Yorkers facing challenges – those with addiction or mental health challenges, re-entering from the justice system, or facing other obstacles to success.

Supporting More Affordable Housing

The Executive Budget includes several policy proposals intended to increase opportunities for affordable housing development and preservation across the state and specifically in New York City, which the Council supports. These include:

- Legislation to eliminate the 12 floor-to-area ratio cap that has restricted the development of affordable housing in certain parts of the City. This change would allow increased density in areas of the City where Mandatory Inclusionary Housing could be directed to produce more affordable housing.
- Legislation to make certain commercial buildings eligible for conversion to residential use, accompanied by financial incentives that help realize these conversions for the creation of affordable housing.
- Legislation granting New York City with the authority to legalize basement apartments that meet the City’s health and safety standards, and \$85 million dedicated to assisting basement conversions and legalization.

The Council also calls upon the State to make certain that New York State Homes and Community Renewal has sufficient personnel and improves agency policies, processes and enforcement to ensure compliance with rent regulation laws and prevent rent-regulated units from sitting vacant.

Covering the Rate Increase of Rental Vouchers for the State Family Homelessness and Eviction Prevention Supplement Contribution

In 2021, the Governor signed State legislation to increase the rental assistance voucher rates for the State FHEPS program to match those of the City FHEPS program, which were previously increased by local law to match Section 8 levels. The enacted Fiscal 2023 State budget did not provide funds for the State to cover the increase, forcing the City to shoulder the additional expense. Over five years, the City estimates it will incur \$198.8 million in additional costs related to the State voucher rate increase. The City Council calls on the State to cover the cost of the rate increase of rental vouchers for the State FHEPS program in the Fiscal Year 2024 Budget.

Launching and Funding the Housing Access Voucher Program

Currently, nearly 80,000 New Yorkers are experiencing homelessness. The Housing Access Voucher Program (HAVP) would provide assistance to those at-risk of becoming homeless and those who are already homeless by creating a State-funded analogue to Section 8. The Senate included \$250 million in its one-house budget last year, which would have funded 10,000 vouchers.

Those unable to afford New York City's housing market who are not eligible for public housing have few safety nets that can shield them from homelessness. Rental assistance is needed to support the lowest income New Yorkers that are experiencing or at-risk of homelessness. The State Executive Budget does not include enough funding to assist those New Yorkers who are, or are on the verge of being, unhoused.

The City Council supports the launch of HAVP to provide housing aid for New Yorkers most in jeopardy of becoming homeless and those already experiencing homelessness. Half of the vouchers would be provided to those experiencing homelessness, with the remaining half distributed to people at risk of homelessness. Similar to Section 8, these vouchers would be pegged to fair market rent levels and would be managed by public housing authorities. It is estimated that a \$250 million investment in these vouchers would enable the City to house 10,000 homeless New Yorkers and keep 10,000 low-income renters in their homes. The Senate Housing Committee passed HAVP legislation earlier this session, and it was included in both chambers' one-house budgets last year. While it was not included in the FY 2023 enacted budget, it is critical to establish the program this year with homelessness and the housing crisis worsening.

Providing State Support for NYCHA Capital and Operating Funds

In light of the continuing deterioration of NYCHA's housing stock, the State should match the City's five-year capital commitment of \$3.4 billion to the City's public housing system. The City Council requests that State funding be provided directly to NYCHA, without the need for City outlays and State authorized reimbursements, to expedite these improvements. This would provide an additional \$600 million annually for the next five years.

NYCHA has long suffered from systemic deteriorating building conditions, stemming from inadequate funding, including: mold issues, rodent and insect infestations, inadequate electrical and heating systems, elevator service interruptions, etc. NYCHA has identified its capital needs to be \$49.5 billion, as of the fall of 2022. NYCHA's five-year capital budget for 2022-2026 totals \$8.06 billion, financed with 50 percent in federal funding, 41 percent in city funds, and only five percent (\$403 million) by the State. Unfortunately, the State Executive Budget does not include additional funds from the State to ameliorate the hazardous conditions faced by residents.

Increasing Funding to Assist NYC Tenants behind on Rent

NYCHA has a projected \$35 million operating budget shortfall for the current fiscal year, even after utilizing \$65 million of its reserves, due to record arrears. NYCHA's rent collection rate currently stands at 65 percent (down from 88 percent before the pandemic) and arrears total \$454 million since 2019. The City Council calls for the State to provide NYCHA with \$330 million from the Emergency Rental Assistance Program (ERAP) or the general fund to cover the unpaid rent that has accrued since the beginning of the COVID-19 pandemic.

The City Council also calls upon the State to increase ERAP funding by \$250 million for City tenants living outside of NYCHA who are behind on their rent. Applications from subsidized housing tenants whose rent is limited to a certain percentage of income (including public housing, Section 8 and FHEPS) are currently ineligible. Furthermore, on January 20, 2023, the State stopped accepting ERAP applications completely due to a lack of sufficient funding. There remain approximately 179,000 pending unpaid applications worth at least \$250 million, while an average of \$85 million in new applications are submitted each month.

With federal rental assistance dollars drying up, the City and State must work together to cover any pandemic-related arrears left unpaid, whether in NYCHA, rent-stabilized, or market-rate housing.

Supporting Housing Legal Services

New York City's Right to Counsel Program has provided housing-related legal assistance to thousands of low-income City tenants facing eviction in Housing Court. Notably, 84 percent of tenants who had a lawyer through the City's program avoided eviction, demonstrating the effectiveness of housing legal services. Reducing the number of evictions not only keeps people stably housed in their communities, but also prevents individuals from becoming homeless and reduces the need for costly shelter services. Many legal services providers that work within the City's Right to Counsel Program and represent tenants need greater resources to have adequate capacity, especially in the aftermath of the State eviction moratorium's January 2022 expiration. To fully meet the current level of demand for services, funding support from the State is critical. The Council calls on the State to contribute \$50 million to the City's Right to Counsel Program to match the level of federal funding that currently supports the program.

Increasing Funding for Mitchell-Lama Programs

The State budget should increase preservation funding at New York State Homes and Community Renewal to better protect and preserve the Mitchell-Lama program. Currently the State is in the second year of its five-year Housing Plan, which invests \$1.4 billion to preserve 57,000 apartments, including nearly 18,000 Mitchell-Lama apartments. Mitchell-Lama has been a critical tool of the State's decades-long response to the housing needs of working families with moderate incomes, leading to the development of 269 developments with over 105,000 apartments. However, 93 developments voluntarily exited the program, mostly in the 1990s and early 2000s. As part of ongoing preservation efforts, Governor Hochul signed legislation in early 2022 to raise the threshold for buildings to exit Mitchell-Lama.

Current financing tools have not kept pace to provide affordable homeownership housing opportunities. The City's Department of Housing Preservation and Development has only financed 1,530 new units of affordable homeownership housing since 2014. The Council would like to partner with the State to fund a new initiative modeled on Mitchell-Lama to grow affordable homeownership through large-scale development of limited-equity co-ops, including through the restoration of tens of thousands of units that departed the program.

Providing Support for NYC Homeowners

Governor Hochul's proposed Homeowner Stabilization Fund that would provide funding to 10 communities in the state with a high concentration of low-income homeowners of color with urgent needs for home repairs. It would provide \$50 million for critical home repairs, reaching as many as 200 homes in each community, with the goal of stabilizing both homeowners and neighborhoods, increasing property values, and preserving equity and generational wealth building. The City Council supports the goals of this program and urges the State to dedicate a portion of the funds to ailing New York City neighborhoods.

In addition, The City Council calls upon the State to restore and increase funding for the Homeowner Protection Program by \$40 million, which leverages New York State's existing network of housing counselors and legal services providers to revitalize neighborhoods and keep New Yorkers from homelessness, crushing debt, and displacement.

HEALTH AND MENTAL HEALTH SERVICES

The City Council is encouraged by parts of the State Executive Budget related to healthcare, including its goal to expand preventative and primary care and increase Medicaid reimbursement rates. However, the Council opposes the proposed cost shift that would result from the State no longer providing local governments with the federal government's enhanced funding to cover the cost of Medicaid, and looks forward to working together with the Governor and the Legislature regarding these matters. Initial estimates place the cost to New York City of this action at \$124.9 million in City Fiscal Year 2023 and at \$343 million in City Fiscal Year 2024 and beyond. This proposal must be more closely examined to prevent the City and other localities from facing significant baseline funding losses.

The City Council supports several proposals related to the Governor's commitment to make major investments into mental health care. Specifically, the Council supports the inclusion of the following items in the State Executive Budget:

- A COLA increase for human services providers in FY 2024
- Continuation of the health care and mental hygiene worker bonus program through FY 2024
- Funding for the opening of 1,000 inpatient psychiatric beds as part of a multi-year plan to increase operational capacity at mental health facilities. Additional beds include 850 that are currently offline, inpatient psychiatric beds at public hospitals licensed under Article 28, and 150 new State-operated inpatient psychiatric beds
- Increased Medicaid reimbursement rates for school-based health centers to increase access to primary care and other health services for children and their families
- Expansion of outpatient mental health services throughout the State by funding 12 new Comprehensive Psychiatric Emergency Programs, including \$60 million in capital; 42 new Assertive Community Treatment teams; eight new Safe Options Support (SOS) teams, to expand the Critical Time Intervention initiative started in 2022; and start-up funding and operating costs for expanded clinic capacity at 20 sites
- Expansion of Certified Community Behavioral Health Clinics (CCBHCs) by providing resources to create 26 new CCBHCs, tripling capacity to 39 programs statewide
- Increased funding for grants that support mental health in community schools. The State Executive Budget provides \$10 million for other student health support grants to school districts

and continued funding for the School Mental Health Technical Assistance Center, for a total of \$30 million in funding.

Given the mental health crisis facing our city in the aftermath of the pandemic, the City Council looks forward to partnering with the Governor and Legislature to ensure the state budget addresses mental health with a comprehensive set of evidence-based solutions.

In addition to the above, the City Council calls upon the Governor and the State Legislature to address the following:

Securing NYC Public Hospitals

The City Council requests that the State eliminate the Distressed Hospitals Fund Sales Tax Intercept and direct the \$150 million of New York City sales tax revenue already collected back to the City for our Health + Hospitals (H+H) public hospital system. The State FY 2021 budget included legislation that required the State Comptroller to annually withhold \$200 million in Sales Tax revenue from the City to be redirected to the New York State Agency Trust Fund, Distressed Provider Assistance Account. Last year, the Council opposed the proposed diversion of these City funds to exclusively support hospitals outside of the City. The State legislature agreed to reduce the amount of funds diverted to the fund to \$150 million, but the City Council calls for the full amount to be returned to New York City.

NYC H+H is the City's single largest provider of care to Medicaid patients, mental health patients, and the uninsured. Its hospitals treated hundreds of thousands of patients throughout the pandemic and play a critical role in facilitating the health of New Yorkers. The State should ensure that H+H is adequately supported to continue providing quality care to New Yorkers.

Increasing Public Health Reimbursement Rate

The State also should restore Article VI funding, aligning New York City's reimbursement level with other municipalities statewide. In FY 2019, the State reduced the City's General Public Health Works Reimbursement rate, or Article VI Funding, from 36 percent to 20 percent. Article VI funding supports local public health activities and services in six core service areas: Community Health Assessment, Family Health, Communicable Disease Control, Chronic Disease Prevention, Environmental Health, Emergency Preparedness and Response. Since FY 2019, other localities in the State have maintained their reimbursement rate at 36 percent. The return to a 36 percent reimbursement rate would provide over \$50 million to the City for critical services.

Increasing Access to Mental Healthcare

While the City Council supports several State Executive Budget mental health proposals, including funding for 8 additional SOS teams, we believe that an additional \$21 million should be allocated for 40 SOS teams to meet our critical mental health needs.

The Council also calls on the State to establish permanent modernization of the "scope of practice" and standardization of the Master level educational, clinical training, and licensing standards for mental health professionals to expand the number of available practitioners. As part of this modernization, the State should establish parity and increased rates of pay and reimbursement for mental health providers, including psychiatric mental health nurse practitioners. Increased Medicaid reimbursement rates for mental healthcare can also help incentivize more providers to accept the coverage, while increased enforcement of practices that violate insurance coverage parity laws can expand critical access to care.

Finally, the City Council requests \$1 million from the State for Assisted Outpatient Treatment. These funds would be used for mandated mental health services for individuals who have difficulty engaging in rehabilitation, posing a risk to themselves and others. With these additional supports for mental health services, the City in partnership with the State will have the opportunity to make a meaningful impact in addressing mental health services for individuals.

Providing Funding for 24-Hour Overdose Prevention in Every Borough

The City Council requests that the State support the City's Overdose Prevention Centers (OPCs), providing at least \$10 million in funding to expand their efforts in every borough of New York City. This funding could be provided from the State's share of Opioid Settlement Funds received from legal settlements with opioid manufacturers, distributors, and other entities that contributed to the opioid epidemic, consistent with the Opioid Settlement Fund Advisory Board's 2022 Annual Report recommendations.

Drug overdose deaths in the City have reached record-highs, increasing from 1,497 in Calendar Year 2019 to 2,062 in Calendar Year 2020, according to the 2022 Mayor's Management Report. The majority of these deaths are the result of opioid usage, and they disproportionately affect Black and Latino New Yorkers. The City launched the first two OPCs in the country in December 2021. The OPCs provide services to save lives by preventing and reversing the effects of overdoses, while connecting clients to comprehensive services and treatments.

Passing the Coverage for All Act

The City Council calls upon the State to pass the Coverage for All bill (S2237 – Rivera/A3020 – Gonzalez-Rojas), which provides services under the basic health program for individuals whose immigration status renders them ineligible for federal financial participation and who meet additional requirements. This proposal seeks to amend the eligibility criteria for the Essential Plan (EP), New York State's Basic Health Program, so that undocumented immigrants (aged 19-64) with incomes up to 200 percent of the federal poverty level (FPL) are eligible for coverage if they reside in the state. This will help close the insurance gap and improve health outcomes by providing preventive and screening services that are crucial for timely treatment and intervention.

PUBLIC SAFETY

Public safety remains one of government's primary responsibilities. Our success hinges on a balanced and holistic approach that invests in strengthening communities and expanding preventative measures to stop crime and violence before they occur. The State budget should ensure adequate funding to facilitate the effective functioning of our legal system, including resources for both public defenders and district attorneys, as well as evidence-based pre-trial services, diversion programs, and victim services that reduce recidivism and stop cycles of crime. The State Executive Budget contains a number of proposals that increase funding to support key programs:

- The Securing Communities Against Hate Crimes program;
- Alternatives to Incarceration programs;
- Programs to meet behavioral mental health and educational needs of individuals returning to their communities after incarceration;
- The Community Violence Intervention Act

- Pretrial services that support probation and community-based providers that divert unnecessary detention while keeping communities safe; and
- Programs meeting the unique needs of communities most impacted by gun violence, including capital investments and innovative crime-reduction strategies

The City Council supports these proposals; provided the City receives its fair share of the funding and any mandated costs are fairly shared by the State.

The Council also calls upon the Governor and the State Legislature to support the following measures:

Supporting Effective Administration of Justice

Provide \$205 million of additional funding for the City's five district attorneys and the Special Narcotics Prosecutor and \$98 million for the City's six public defender organizations to hire additional attorneys and paralegals, provide salary increases, and make technology investments aimed at facilitating effective implementation of discovery laws and reducing backlogs and delays in the legal process.

Providing Funding for Trauma Recovery Centers

Trauma recovery centers (TRCs) are an innovative model of victim services that reach underserved victims and communities to provide health, recovery, and stability to heal communities and interrupt cycles of violence. TRCs provide trauma-informed clinical case management, evidence-based individual/group/family therapy, and crisis intervention. They also provide legal advocacy and assistance in navigating the legal process and accessing victim services to survivors in communities that experience the greatest levels of violence. These survivors often never access or are even aware of victim services, which are available at no cost to them. In Fiscal Year 2023 the City Council provided \$2.4 million to open New York State's first TRCs, two each in the Bronx and Brooklyn.

The Council calls on the State to establish a dedicated annual funding stream in the State budget for the NYS Office of Victim Services to reliably support TRCs that help ensure underserved victims of crime have access to victim services. An initial baseline allocation of \$12 million would provide stable funding to support the newly established TRCs in the Bronx and Brooklyn, and additional centers in Queens, Manhattan, and Staten Island, as well as other communities in the state with high numbers of underserved crime victims, such as Buffalo and Rochester.

Increasing 18-b Assigned Counsel Rates

The State Executive Budget increases the assigned counsel program rates in New York City to \$158 per hour. It would also increase the cap on total compensation for time expended providing representation to \$10,000 for New York City. While increased rates for assigned counsel helps provide adequate legal representation for those who cannot afford their own counsel, this is a state mandate without accompanying funding for the City. The City Council supports this increase as long as the State provides resources to cover a share of the increase.

Fully Funding Raise the Age

The State should allow the City to fully access funding for the implementation of Raise the Age which has proven effective at reducing the juvenile justice population, kept families together, and reduced crime. In addition, the State should restore state funding for the Close to Home juvenile justice program, and assist the City in meeting the costs associated with providing therapeutic, educational and other critical services to vulnerable young people.

The State's FY 2018 budget legislation that raised the age of criminal responsibility to 18 years old eliminated automatic prosecution of 16- and 17-year-olds, consistent with the evidence that age-appropriate rehabilitative interventions produce better safety outcomes for communities. The State budget includes \$250 million to localities across the state to implement the legislation, but New York City is ineligible for most of this funding due to the requirement that counties be below the two percent property tax cap or demonstrate financial hardship.

In addition, the State FY 2019 Enacted Budget cut state funding for the City's juvenile justice program, Close to Home, by \$31.5 million. These funds have not been restored and the State Executive Budget proposes making this cost shift permanent.

Expanding Mental Health Courts

Mental health courts are critical to addressing the crisis, but their reach must be expanded to help advance our efforts to improve mental health and public safety. The Council calls on the State to pass the Treatment Not Jails Act to enhance mental health diversion from the criminal legal system by removing barriers to the utilization of these specialized courts and their treatment programs. This legislation, together with an additional budget allocation of \$15 million, can help expand the statewide use of mental health courts that currently have an annual budget of between \$15 and \$16 million per year. These efforts would remove legal and structural barriers that undermine effective utilization of mental health courts, resulting in too many people with mental health challenges being repeatedly cycled through the criminal justice system. While this effort comes with an up-front cost, there will be significant cost-savings in the long run, since treatment courts are widely recognized as highly cost-effective. These increased interventions and savings are especially urgent in New York City, where more than half of our jail population has a mental health diagnosis and taxpayers spend over \$556,000 per year for the incarceration of a single individual. The State should also support programs to increase awareness and education of stakeholders in the legal system, including judges, prosecutors, and public defenders, to increase the utilization of mental health courts and diversion programs.

HIGHER EDUCATION

New York's Public Higher Education system is instrumental in providing an affordable education that can help close opportunity and wealth gaps. Although the State Executive Budget includes funding for student programs, teaching staff, and student tuition, it still lacks certain essential investments. The Council proposes greater increases in funding for CUNY and key initiatives that expand access to higher education.

Increasing Aid to CUNY and its Students

CUNY institutions are vehicles of economic opportunity and mobility for so many New Yorkers – low-income New Yorkers, people of color, and immigrants. The State Executive Budget's increase of \$94 million in recurring operating funds and over \$600 million in capital investment into CUNY are welcomed investments. Yet, expanding on the State Executive Budget proposals can better help meet the system's five-year plan and budget requests, while avoiding a reliance on tuition increases for New Yorkers.

Expanding the Period of Eligibility to Receive TAP

The State should increase the maximum period of eligibility for students to receive Tuition Assistance Program (TAP) grants from 8 to 10 semesters to better reflect the needs of the current generation of college students. This would allow students more time to finish their degrees without the burden of heavy debt. This year, the maximum annual TAP grant is \$5,165. By extending the maximum period of eligibility

from 8 to 10 semesters for all full-time undergraduate students at 4-year institutions, the State would be able to provide students with a potential total of \$25,825, or an increase of \$5,165 per eligible student, over the course of their college career.

Restoring Funding for Higher Education Opportunity Programs

The City Council calls upon the State to restore \$3.3 million in funding for higher education opportunity programs, and increase funding for each of these programs by 10% over FY2023 levels, which provide access to college for students who might not otherwise be able to attend college.

The Executive Budget proposes overall decreases in the following programs:

- \$46.9 million for the Higher Education Opportunity Program (HEOP), a decrease of \$1.4 million from FY 2022-23.
- \$20.9 million for the Science and Technology Entry Program (STEP), a decrease of \$636,000 from FY 2022-23.
- \$15.8 million for the Collegiate Science and Technology Entry Program (CSTEP), a decrease of \$482,000 from FY 2022-23.
- \$24.2 million for the Liberty Partnership Program, a decrease of \$738,000 from FY 2022-23

PUBLIC EDUCATION

Increasing Public Education Funding

The City Council welcomes the Governor’s commitment to education in the State Executive Budget and appreciates the \$600 million increase in overall school aid to the City. These funds are necessary to continue helping improve student achievement, where they are most needed. Yet, while the City’s overall aid has increased, its proportion of the total School Aid budget has decreased. New York City’s School Aid total increased by 5 percent, while the statewide School Aid total increased by nearly 10 percent between Fiscals 2023 and 2024. The City Council calls upon the State to treat the City equitably when allocating education funding statewide. The City’s School Aid should be increased to provide a proportional amount similar to the increase in the statewide School Aid budget.

Expanding Student Mental Health Services

The City Council commends the Governor’s inclusion of \$10 million aimed at enhancing school-based mental health services. The support of the mental well-being of our children should be paramount when crafting education budgets, especially given the impact of the pandemic on young people. The State Executive Budget takes important steps forward, and the Governor and State Legislature’s leadership can help us take the giant leap necessary to prioritize our children’s well-being with even deeper investments.

Supporting Early Childhood Education Expansion

The City Council notes that the State Executive Budget includes funding for two initiatives to expand Pre-K around the state. This includes \$25 million of additional funding to extend current half-day Pre-K programs to full-day, for an estimated 17,500 children, as well as \$100 million for expanding Universal Pre-K statewide. As we have seen in New York City, investment in Pre-K education yields large dividends for our children and families. Unfortunately, because of the City’s decisions to make the necessary

investments to provide Universal Full-Day Pre-K and 3K services to New Yorkers, the City is likely ineligible to receive any of the proposed \$125 million of funding.

New York City should be rewarded for its investment and foresight on early childhood education. Our hope is that we would be able to utilize additional State funding for Pre-K and 3-K, perhaps for extended full-day services for parents unable to pick up their children at the end of the school day and also unable to afford paying for extended day services.

Expanding Childcare

It has been well documented that affordable, quality childcare options are among the most effective public investments that help lift families out of poverty. Providing families with the opportunities to access childcare increases employment and economic opportunities in an equitable way that includes benefits for women.

The City Council supports the State Executive Budget's investment in childcare, which includes \$5.8 billion for the Office of Children and Family Services over State Fiscal Year 2024-2025, an increase of \$1.5 billion or 34.8 percent from the prior year. Most significantly, the State Executive Budget increases the State's investment in making childcare accessible and affordable from \$7.0 to \$7.6 billion over the next four years. The State Executive Budget expands eligibility further by raising the income limit from 300 percent of the federal poverty level (FPL) to 85 percent of New York's median income, or approximately \$93,200 per year for a family of four. As a result, the families of an estimated 113,000 more children will become newly eligible for childcare assistance.

One of the major barriers to entry in the childcare industry, particularly in New York City, is the high cost of rent. Childcare providers often struggle to afford high rents and compete for space in a real estate market, facing limitations of strict but important safety rules. The State Executive Budget builds off a previous investment providing \$100 million to increase the capacity of programs in childcare deserts.

The City Council also commends the Governor on her proposal to direct \$389 million in unspent Federal funds to establish a new Workforce Retention Grant Program to provide payments to childcare providers at 17,000 programs statewide. Additionally, the establishment of a two-year, \$25 million refundable tax credit program for certain businesses that create or expand childcare slots for the children of their employees can also increase parents' access to quality childcare.

Lastly, the City Council supports the proposal to provide annual Cost of Living Adjustments (COLA) for childcare service workers. We place the care of our most precious assets in the hands of these workers, who overwhelmingly are women of color, and they should at the very least be provided a livable wage that is commensurate with their important duties.

The Council also calls on the State to pass the Universal Child Care Act (S3245) to make substantial programmatic changes and significant investments in New York's child care system that sets New York on a path to building universal child care. It ensures that the "Universal Pre-K" and "3-K For All" programs are implemented in a manner that does not leave behind providers who care for children under the age of three, who have been particularly hard hit by the present child care crisis.

In order to attract and maintain an adequate workforce, this legislation creates a new "child care workforce stabilization fund" that directly raises wages. It also makes further adjustments to state law in order to move New York towards a system where child care workers are properly recognized as educators, and achieve wages that are on par with those of public school teachers.

In addition, this legislation would shift New York away from the current "market rate survey" system, and towards a new cost estimation model that more accurately compensates providers for the true cost of care. This legislation further establishes a "transitional reimbursement rate" fund so that New York can immediately offer more adequate compensation, pending the implementation of such a new system. By creating a new "child care infrastructure development fund" and modifying New York's system of distributing startup funds, it can help New York build upon its current capacity.

Supporting Career and Technical Education

Considering the increasing demand among students to acquire licensure and certification for in-demand fields upon graduating from high school, we applaud the Board of Regents proposal to create an additional tier of aid for Career and Technical Education (CTE) within BOCES aid to reimburse large school districts like New York City. The City Council requests equitable support, together with the rest of the State, for these in-demand programs. The implementation of a new special services formula would allow actual CTE costs to be eligible for aid, utilizing the same aid ratio as BOCES.

LIBRARIES

Increasing Unrestricted State Formula Aid and Local Services Aid

The State Executive Budget provides library systems statewide with \$110.1 million in programmatic funding. It is estimated that the City's systems' current need is \$216.5 million, which is \$106.4 million more than the amount included in the State Executive Budget (\$96.1 million in Operating Aid and \$14 million in Construction Aid). Underfunding of libraries has a disproportionately negative effect on economically disadvantaged communities. The Council requests increased unrestricted state formula aid and local services aid for library operating budget expenses that allow libraries to provide the level of services they previously offered before recent funding reductions. Significant capital funding is also necessary for public libraries to update their technological infrastructure, invest in energy efficiency, and repair their rapidly aging buildings.

SOCIAL SERVICES RESTORATIONS, AND SENIOR SERVICES

Restoring Flexibility to Temporary Assistance for Needy Families (TANF) Flexible Fund for Family Services (FFFS)

The State FY 2021 Enacted Budget reduced the flexibility of the federal Temporary Assistance for Needy Families (TANF) Flexible Fund for Family Services (FFFS), which resulted in an annual cost shift to the City of \$14.2 million, or \$42.6 million over the last three fiscal years (Fiscal 2021 through Fiscal 2023). This mandated expenditure exacerbated a perpetual problem whereby the State shifts social safety net costs to the City for programs that are either entitlements or city priorities.

Under State law, localities must spend a designated minimum amount of their FFFS allocations on child welfare before being able to tap into the State's separate, uncapped child welfare funding stream for additional child welfare expenses; the uncapped funding stream reimburses localities for 62 percent of their remaining costs, net of other federal child welfare funding.

Because the State FY 2021 Enacted Budget increased the total Statewide child welfare spending threshold from \$342 million to \$382 million, and the City's threshold from \$193.6 million to \$216.5 million, the

City was forced to spend \$14.2 million (62 percent of the \$22.9 million threshold increase) of its own resources before accessing the 62 percent reimbursement available through the general child welfare funding stream. The State should reduce the threshold on mandated child welfare spending using TANF Flexible Fund revenues back to \$342 million Statewide from the current \$382 million, which would save the City \$14.2 million annually.

Title XX Funding to Child Welfare

The State Executive Budget redirects Title XX Funding, federal funding from the Social Services Block Grant, towards expenses for child welfare services to help the State pay for protective and preventive services for children and families. This proposal will cost the City \$8.4 million in Fiscal 2024, and \$11.2 million in Fiscal 2025. The State should reimburse the City for the additional costs borne by this change in policy.

Increasing the Reimbursement Level for Preventive Services

The State has lowered the reimbursement to New York City for the costs of preventive services that prevent child abuse, neglect and the need for foster care from 65 to 62 percent. A repeal of this cut in the State reimbursement rate could result in an additional \$21.65 million provided to the City for next fiscal year. According to the Fiscal 2023 Preliminary Mayor's Management Report (PMMR) 6,818 families entered ACS preventative services in Fiscal 2022, with an average of 18,291 children receiving preventative services each day. The City Council calls on the State to restore reimbursements for preventative services to 65 percent from 62 percent.

Reinstating Increased SNAP Benefit Levels with State Funds

Since the onset of the pandemic, benefit payments under the Supplemental Nutrition Assistance Program (SNAP) have been higher for recipients nationwide, as dictated by a federal pandemic-related change. Recipients have received the higher of the maximum possible benefit amount for their household size or their benefit level (which is determined based on income) plus \$95. Some states have already opted to end the increased benefit level but, many states, including New York opted to continue it as long as federally allowed. For New York and the 31 other remaining states that still offered enrollees the higher benefit amount, February 2023 was the last month of these increased benefit levels. Currently, 2.8 million people across the state are enrolled in SNAP, of which 1.73 million reside in New York City. New York State should utilize State dollars to maintain the higher benefit level that SNAP recipients have been receiving since the onset of the pandemic. New Jersey has already taken state legislative action to continue these increased benefits with state dollars.

Foster Care and Special Education Residential Placement Reimbursements

The State should restore \$44 million in annual funding for the Foster Care Block Grant (FCBG) and \$30 million in annual reimbursement costs for non-foster children residential placements. FCBG provides State Aid for the care and maintenance of children in the foster system, covering the cost of clothing, administration and supervision, and special payments. The State 2018 Enacted Budget reduced FCBG and eliminated tuition payments for foster children in New York City, costing the City \$44 million per year. Additionally, the State FY 2018 Enacted Budget eliminated the partial reimbursement of costs for non-foster children, who are placed in upstate and out-of-state facilities and have severe mental and/or physical disabilities. The City is now required to cover the full cost of these services. The lost 18.5 percent State share of care and maintenance costs associated with the Committee on Special Education Placements at residential schools has cost the City \$30 million in State funding each year.

Home Delivered Meals for Older Adults

While the Department for the Aging has increased reimbursement rates for Home Delivered Meals (HDM) and the Council has allocated \$3.08 million to add 44 HDM vans in the Fiscal 2023 budget, more support is needed from the State. Additional State support to fund weekend meals for older adults and to cover the increased demand for HDMs would help meet the need of the City's fast growing older adult population. The State should provide an additional \$18.9 million for HDMs statewide to help support older adults, particularly since the \$53 million GetFood Recovery Meals program ended in Fiscal 2022.

Older Adult Services

The Executive Budget contains a number of proposals with respect to older adults that the City Council supports. For some of these proposals, it is uncertain how much of the funding will be allocated to New York City. The City Council wants to ensure that the City is provided an amount commensurate to its need:

- \$7.2 million to provide respite care for high-need family caregivers, granting relief for those who oversee care of their loved ones
- \$2.1 million (\$6.3 million annually) in care teams to provide care for low-income adults in their home
- Establishes quality reporting and accreditation for assisted living residences (\$275,000); implements quality improvement initiatives in nursing homes to promote transparency and makes it easier for New Yorkers to make informed choices (\$250,000)
- Permits Area Agencies on Aging to serve more individuals by allowing individuals whose income is at or above 250 percent of the federal poverty level to pay for certain services
- \$2.5 million in additional funding, annually, for the Long-Term Care Ombudsman Program (LTCOP) to provide additional coverage of long-term care facilities across the state. LTCOP funding helps address complaints and advocate for improvements in the long-term care system
- Provides a 2.5% COLA for not-for-profits that provide services on behalf of the multiple health and human services agencies, including SOFA

SERVICES FOR IMMIGRANT NEW YORKERS

Providing Funding for Asylum Seekers Response

The State Executive Budget offers a first step in providing a measure of support to New York City for welcoming tens of thousands of people seeking asylum in the United States. This includes a potential \$1.5 billion in funding over State Fiscal Years 2024 and 2025, some of which will flow directly to the City for reimbursement of emergency shelter expenses and the remainder administered by State agencies or contracted providers. Notably, the \$1 billion in funding for shelter services reflects an authorization for State reimbursement up to that level for 29 percent of emergency housing costs. This means that the City would have to spend over \$3.4 billion to access the full \$1 billion. To ensure the City is able to access this entire allotment in a timely fashion, the list of eligible reimbursable expenses should be expanded to include most, if not all, of the expenses the City has borne related to its response efforts.

Authorizing and Funding Rental Assistance for Undocumented New Yorkers

In December 2021, the State announced that it would appropriate \$100 million, of which \$68 million would be provided to the City, to provide rental assistance to individuals and families experiencing

homelessness or facing an imminent loss of housing, regardless of immigration status. The City planned to use this funding to provide housing vouchers to undocumented individuals who were ineligible for the standard City and State rental assistance programs. Unfortunately, the State Fiscal Year 2023 Enacted Budget stipulated that the funding could only be used to cover the new State FHEPS voucher rate increase, as the State budget did not include a contribution towards the increase. Given that undocumented City residents, many of whom are long-time residents, have been unable to access housing vouchers, it is vital that the State assist the City in creating a rental assistance program targeted to this population by providing legal authorization and funding.

Providing support for Immigration Legal and Rapid Response Services

The City Council calls upon the State to invest \$100 million in FY 2024 to provide legal and rapid response services to immigrants, through the following measures:

- Passing the Access to Representation Act (S999 - Hoylman-Sigal/A170 - Cruz), which establishes the right to legal counsel in immigration court proceedings. The Act requires an accompanying \$55 million investment to implement in its first year, which will ensure a right to counsel for all immigrants facing deportation in New York, provide stable funding for immigration legal services, and ensure there are skilled immigration legal services teams in areas of need across the State.
- Increasing funding for existing immigration legal services to \$35 million, to ensure ongoing support to existing clients and expanded coverage for immigration benefits like citizenship, DACA, temporary protected status, family reunification, and holistic social services.
- Providing \$10 million for rapid response services to help meet immediate needs of immigrant communities in crisis.

TRANSPORTATION

New York City depends on a reliable and available public transportation system more than any major city in the country. While the City Council supports the transformation of JFK Airport into a modern, first-class facility, it maintains concerns about the prioritization of equitable benefits provided by the infrastructure development. The Council welcomes efforts to improve MTA efficiencies and services for commuters, but has significant concerns about some MTA funding proposals included in the State Executive Budget.

Supporting MTA Funding, Accessibility, Repairs, and Reliability

The State Executive Budget includes a number of proposals aimed at strengthening the MTA's financial position, but others transfer major costs of supporting the system from the State to the City. These include proposals that would cumulatively require the City to take on over \$500 million of additional annual expenses for MTA services that have traditionally been financed by the State. The City would be required to now pay the entire cost for paratransit access for New Yorkers with disabilities and the student MetroCard subsidy, as well as shouldering increased Payroll Mobility Tax payments. While the cost estimate for these items for FY 2024 is \$526 million, this total is expected to increase. These are major new costs to the City that come with no commitment to spare New Yorkers fare hikes.

The City Council will work together with the Governor and our partners in the State Legislature to address not only the major challenges created by these proposals, but also to find solutions where (i) fare hikes are avoided and other measures are taken (such as extending LIRR discounted ticket services to the Far Rockaway Station) so that subways, buses and trains are affordable for New Yorkers, (ii) the entirety of the city public transit system is compliant with the Americans with Disabilities Act, (iii) public

transportation is increased to those areas of New York City that are insufficiently served by current mass transit options, such as fully funding the Interborough Express, and performing a study on the feasibility of a proposed subway extension along the Rockaway Beach Branch.

New York City is certainly willing to do its share to make certain that our transit system remains viable, but the City already annually contributes billions in resources to the MTA. Over the last decade, the City has greatly expanded its financial support for the MTA, currently providing approximately \$1.3 billion annually to the MTA (nearly 7 percent of its operating budget).

ENERGY AND THE ENVIRONMENT

The State Executive Budget includes a number of policies intended to improve the quality of New York's water and air, providing funding for weatherization, resiliency, energy efficiency and assistance for New York consumers of energy. The City Council supports many environmental and energy proposals contained in the Governor's Executive Budget, provided the City receives its fair share of funding for those proposals.

Environmental Bond Act

New York City voters overwhelmingly supported the \$4.2 billion Environmental Bond Act. The Environmental Bond Act can provide the City with an invaluable funding stream to finance resiliency and climate mitigation projects. These funds can be used in tandem as "local matching funds" to tap into Federal funding streams, like the Infrastructure Investment and Jobs Act and the Inflation Reduction Act. The City Council urges the State to allocate a fair share, at minimum 50 percent, of the Environmental Bond Act resources to New York City in order to fund vital climate and resiliency projects that can protect and benefit millions of New Yorkers.

TAX POLICY AND FAIRNESS

Providing New York City Greater Local Control over Tax Programs

Tax expenditures or tax breaks are powerful and essential tools to address major issues that we face in our State and City. They are critical in combating the housing affordability crisis, growing our economy, and ensuring our most vulnerable residents can stay in their homes. With such important tasks, it is urgent that we make sure that each and every tax program is working as efficiently and effectively as possible.

Albany is a critical partner in this process, but the City must have local authority and input on tax programs that significantly impact us to ensure they are used wisely and effectively. The change or extension of City-funded tax break should not occur without support from the City's legislature, consistent with the City Charter assigning budgetary power to the Council. Impositions on tax expenditures without the Council's input diminish the ability of the City to manage its finances, and impede its abilities to ensure funding for critical city services. The City Council requests that the State not authorize a City tax credit without a home rule request or a provision allowing the City local authority to implement the tax. Further, to help ensure that tax breaks are designed to maximize their impact, the City should also be authorized to require data points needed to evaluate a tax break, as part of any tax credit application. While this request would have no direct fiscal impact, greater local control and ability to conduct oversight would allow the City to begin achieving greater efficiencies.

This includes the Commercial Revitalization (CRP) and Commercial Expansion (CEP) tax expenditure programs that are scheduled to sunset on July 1, 2023, housing tax credits, and other tax programs.

For example, the State Executive Budget proposed to renew CRP and CEP, despite the only [independent evaluation of these programs](#) has shown them to be ineffective. The exploration of reforms that could ensure the programs more effectively address the issues of office vacancies and employment could be pursued in conjunction with the City and provide the City with local authority to shape and enact such credits.

Authorizing New York City to Create a Biotechnology Tax Credit

The City Council supports the Governor's proposal in the State Executive Budget to provide the City local authority to renew the City's Biotechnology tax credit.

The program would provide eligible firms a refundable credit of up to \$250,000, with a total credit cap per year of \$3 million, for three types of expenses: qualifying expenses related to acquiring research and development property, certain expenses related to training employees, and other research and development expenses. The credit is limited to small firms engaged in biotechnology, with an emphasis on research and development. Such companies are eligible for the credit for up to three years.

This credit had originally sunset in Fiscal 2019, with only 27 recipients in its final year. Despite that minimal use in its original iteration, a renewal of this credit could support the City's efforts to rebuild and diversify its economy after the pandemic, and specifically cultivate a thriving biotech sector.

With ten world class academic medical centers, over 50 hospitals, more than 900 life science-related companies, laboratory space, and an unparalleled talent pool, New York City has a natural advantage in biotechnology. Nonetheless, New York City lags behind other cities, such as Boston, San Francisco and San Diego, in the commercialization of new technologies

The City Council estimates the renewal of the tax credit would decrease city revenues by around \$2 million annually, and at most by \$3 million. There is no state revenue impact.

Establishing a Refundable State Tax Credit for Business Providing Childcare

The City Council supports the Governor's State Executive Budget proposal to provide a refundable tax credit for eligible businesses that create new childcare seats or expand childcare seats in existing programs. The credit would be capped at \$25 million annually for two years and shall be made available to businesses whether they provide childcare seats directly or through a third-party provider.

This state credit mirrors the one that the State put in place for the City at its request last year. Together, the two credits will bolster the effectiveness of creating additional childcare slots, which are sorely needed in many parts of the City.

The credit is expected to cost the State approximately \$25 million annually in State Fiscal Year 2025 and State Fiscal Year 2026.

Simplifying Application for Senior Citizens Homeowner Exemption

The City Council supports the State Executive Budget proposal to make technical amendments to the Senior Citizens Homeowner Exemption (SCHE) that make the application process more accessible. The SCHE program provides property tax exemptions to senior citizen homeowners earning less than \$58,399 per year.

The amendments proposed in the State Executive Budget simplify the definition of gross income to better align with other tax breaks, while facilitating more clarity in the application process. The proposal grants the City permission to pass a local law to amend the definition of gross income, allowing for the removal of social security benefits that could increase the pool of eligible recipients. The Council also requests that the State authorize local legislative authority to permit automatic re-enrollment in SCHE and similar programs that support housing security for older adults and New Yorkers with disabilities.

Evaluating & Fine Tuning Proposed Housing Tax Credits

The State Executive Budget proposes a series of tax programs, in conjunction with various other initiatives, to address the City and State's housing crisis. These are aimed at incentivizing office to residential conversions for affordable housing development, reducing costs for homeowners to add accessory dwelling units, and preserving affordable housing. These proposals, if correctly designed, could have a deep and meaningful impact on generating affordable and safe housing for New Yorkers.

Although the City Council is supportive of the intent behind these proposals, it is urgent that any new or reformed tax program be well collaboratively crafted to maximize scarce public dollars. A well-designed tax program can have a transformative impact by leveraging private dollars to encourage development that would otherwise not happen, while a poorly designed one ends up providing a needless subsidy. Any wasted public funds starve the City of resources that could otherwise be invested in other, more effective ways, increasing the burden on other taxpayers to make up revenue shortfalls. The Council urges the State to engage with the City, including the City Council, on the design and analysis of any proposed tax programs, ensuring they include an element of local control and an ability to collect data for evaluation.

Extending the Tax Rate Paid by Businesses with Incomes above \$5 Million

The City Council supports the Governor's State Executive Budget proposal to extend the 7.25% business tax rate paid by businesses with incomes above \$5 million for three more years. It would ensure that big corporations continue to contribute a little more in taxes to help address the challenges facing the State.

Expanding New York City's Child Care Tax Credit

The City Council supports expanding the current New York City Child Care Tax Credit to include both working households with incomes under \$45,000 and households that care for adult dependents. This credit would offset the cost of childcare and senior or dependent-adult care for low-income working New Yorkers that is a significant barrier to employment.

The City Council estimates the change in the tax credit would decrease city revenues by approximately \$47 million annually. There is no state revenue impact.

Reauthorizing NYC Cooperative and Condominium Tax Abatement

The City Council calls for the renewal of the New York City Cooperative and Condominium Tax Abatement, a critical tax relief mechanism addressing widespread inequities in homeowner property taxation. The City's property tax system splits homeowners into two tax classes, each governed by a separate set of rules for deriving market values and property assessments. Through the years, the differences in market value and assessment rules between homeowners on either side of the tax class divide culminated in an undesirable outcome where coop and condo homeowners carry a disproportionately higher effective tax rate relative to their one-to-three-family homeowner counterparts.

Introduced in 1996, the abatement provides partial tax relief for coop and condo homeowners on a sliding scale relative to a property's assessed value and will expire at the end of the City's Fiscal 2023. Without renewal, coop and condo homeowners would experience tax bill increases of up to 40 percent.

The abatement, already assumed in the financial plan, carries a cost of \$671 million in Fiscal 2024.

Allowing IBO Access to Business Data

In January 2017, the City Council passed legislation requiring the New York City Independent Budget Office (IBO) to review and evaluate economic development tax expenditures identified by the City Council. The purpose of these reviews is to have impartial, technically sophisticated staff analyze the programs to determine if they are still useful and are working as intended and to report this to the Council.

The IBO has already successfully conducted several tax expenditure evaluations that have provided valuable insights into how the City could approach improvements to its tax programs to improve economic development efforts. Tax expenditures are rarely subject to systematic oversight, let alone evaluations of whether they are achieving their intended goal. However, data limitations make it difficult for the IBO to evaluate tax breaks related to business income taxes, which were worth roughly \$1 billion in tax year 2018. In order to properly review economic development tax breaks on business taxes, state legislation is needed to allow IBO access to business tax data, which currently they are barred from due to tax secrecy laws.

Accordingly, the City Council endorses the passage of S2013, which grants the IBO access to business tax data for evaluating whether economic development goals are being achieved through tax programs. The City Council believes the same rules of securing data and protecting privacy that apply to the City's Department of Finance can be enacted by IBO with this authorization.

Extending State Solar Tax Credit for Installation of Solar Thermal Systems

Although New York State law currently provides a tax abatement to owners of class one, two and four properties for the installation of solar electric generating systems, such as solar panels, it does not currently provide a tax abatement for the installation of solar thermal systems which are used for heating water or otherwise powering heating/cooling systems. Because the use of solar thermal systems have similar environmental benefits to the use of solar electric generating systems, their installation should also be encouraged through the provision of a property tax abatement.

The current cost of the tax abatement for solar electrical generating systems is approximately \$26 million, and it is not expected that the cost of an abatement for solar thermal systems will exceed that amount.