Fiscal Policy Institute
540 Broadway
Albany, NY 12207
fiscalpolicy.org

info@fiscalpolicy.org

Statement on Governor Hochul's Announcement of a Budget Agreement

Nathan Gusdorf April 28, 2025

Budget agreement includes serious fiscal missteps that will undermine the State's ability to weather federal funding cuts

ALBANY, NY | *Fiscal Policy Institute Director Nathan Gusdorf released the following statement on Governor Hochul's announcement of a budget agreement earlier today:*

Earlier this evening, Governor Hochul announced that an agreement has been reached on major aspects of State budget negotiations. While the final budget increases spending by $2 billion over the Governor's initial proposal in January, including increased funding for childcare, it also commits to serious fiscal missteps—namely billions of dollars in permanent and unnecessary revenue losses that will undermine the State's ability to weather anticipated federal funding losses. The Governor's presentation also left considerable ambiguity as to whether the MTA's capital plan is fully funded. As Congressional Republicans deliberate on how to slash trillions of dollars in social spending, the State must focus on maximizing its revenue and protecting investments in essential services and infrastructure.

FPI has previously criticized the two most fiscally significant prongs of the Governor's agenda: a permanent income tax cut and a one-time "inflation refund" check, in each case for households making up to about $300,000 per year. The income tax cut will cost $1 billion per year with over a third of the total benefit going to households in the top twenty percent of earners, and the inflation refund will now cost about $2 billion (down from a previous proposal to spend $3 billion on the program). These initiatives are spread too thin to affect real cost burdens for working families, and they will compound federal funding cuts by costing the State $3 billion in the next year that could be used to backfill federal cuts. Further, it appears that the budget will allow a previously-planned corporate tax cut to take effect in 2026, leading to another $1 billion of annual revenue losses.

Perhaps the most important fiscal issue in this budget is financing the MTA capital plan, which the budget will partly cut down, and partly fund by increasing a payroll tax on downstate businesses. As payroll taxes are generally passed on to workers, FPI has previously recommended MTA funding options[a] that would require larger contributions from highly profitable corporations and the top earners and fully fund the capital plan; it is regrettable that this budget will instead choose to burden workers and shrink the plan.

Finally, there is no apparent resolution of the State's insolvent unemployment insurance trust fund, which has been underfunded for decades, causing unemployed New Yorkers to lose out on $9 billion of benefits[b] since 2019. Fixing the State's unemployment insurance system may be the single most important way that the State can prepare for an increasingly likely recession. Legislators will soon regret missing the opportunity to raise worker benefits and modernize the tax structure.

Links

a https://fiscalpolicy.org/policy-and-research/how-to-fund-the-mta
b https://fiscalpolicy.org/policy-and-research/the-urgent-need-to-raise-unemployment-benefits