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MEMORANDUM

TO: Clients

FROM: Harter Secrest & Emery LLP

DATE: January 8, 2020

RE: Governor Andrew Cuomo's 2020 State of the State Address

The 2020 legislative session officially kicked off today with the Governor's State of the State address. In advance of the address, the Governor spent the previous few weeks previewing 34 of the proposals included in his address today. They include everything from: lowering prescription drug prices for all New Yorkers; a focus on workforce training and development to infrastructure improvements like the redevelopment of Penn Station and introducing high speed rail in New York; gun control proposals; and passing an equal rights amendment in the State constitution.

In his address today, the Governor outlined the thinking behind his 2020 legislative priorities and focused primarily on what he called pragmatic progressivism. He defined this as a progressive government that functions and does not make promises it cannot fulfill. He noted that pragmatic progressives don't advocate for proposals that they are sure cannot work and instead focus on proposals rooted in reality. With this as his baseline, he touched on the 34 proposals that he had previously rolled out while also outlining a host of other priorities.

The list of other priorities was as diversified as the original 34 proposals. Today's proposals focused on environmental issues by proposing a \$3 billion environmental bond act to preserve open space and calling for the expansion of electric vehicles. He also called for tax cuts on the middle class and a focus on infrastructure by prioritizing upstate airport renovations. He wants to create the hate crime anti-terrorism act and funding to help the homeless and build affordable housing. He announced the return of the Medicaid Redesign Team that will look for ways to reduce costs in the Medicaid system. He also called for worker protections by proposing paid sick leave for all New Yorkers and addressing worker classifications for those workers in the gig economy. The Governor also wants to see increased tourism, cell service in every corner of the State and an end to the pink tax for goods and services geared to women.

The State of the State always serves as the first glimpse of the priorities for the Governor in the upcoming session, but the full details will be unveiled when introduced as part of the budget itself or as freestanding legislation. The Governor will give his budget address in two weeks, and that will give us our first look at the broader budget picture for the 2020 - 2021 fiscal year.

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All eyes will be on this budget proposal as it has already been announced that there is a \$6.1 billion deficit in Medicaid. Health care and education spending account for two-thirds of New York's overall budget, so a budget deficit of this size in one of these areas will have a ripple effect across the entire budget calculation. Complicating matters is that no one ever wants to cut health care or education spending. If cuts are not done, the only way to cover the deficit is to identify revenue raisers.

Revenue raisers tend to be new taxes and/or fees. The Governor has stated that he does not want to raise taxes, so there are limited options on how to balance the budget and not cut in key areas. We may see a combination of new fees and cuts across the board in certain areas. Several areas currently being eyed for potential sources of income that could be used to help balance the budget include legalization of recreational marijuana and the issuance of casino license in the New York City area. However, neither of these proposals will generate the income needed to cover the full budget deficit.

This will be unclear until we see the Governor's budget proposal. Once he has released his proposal, the Senate and Assembly will spend the next month reviewing his plan and then propose their own spending proposals by early March. This will set us up for several weeks of budget negotiations that will ideally lead to a deal by the budget deadline of April 1.

Traditionally, once the budget is completed on April 1, we turn to the non-budget items and anticipate an end of June conclusion to the legislative session. However, this will not be the case this year. As you may know, all members of the Senate and Assembly have to run for reelection every two years, and 2020 is an election year for them. You may recall that for the past few years, the federal primary elections have been held at the end of June, per a federal court order, and the state primary elections were held in early September. However, as part of the election reform package passed by both houses last year, and signed into law by the Governor, the state and federal primary elections were consolidated. The state and federal primary elections will all be held on June 23, 2020. Given this new state primary election date, the 2020 legislative session is scheduled to end on Tuesday, June 2, 2020.

At this point, we aren't entirely sure how this consolidated session schedule will impact the flow of the legislative session. Even though session is concluding three weeks earlier than normal, there are only 3 fewer session days than in the 2019 legislative session as the calendar was front loaded with more session days. This may mean that we will be working on non-budget legislative items earlier in the session. It may also mean that the focus is still on the budget until April 1, and then there is a sprint to the finish to address all the non-budget legislative items. Either way, we anticipate this session being unlike any session before.

We will be in touch regarding your legislative priorities and any budget and legislative issues of importance to you.

As always, please let us know if you have any questions.