

## **New York Adopts 2026-2027 State Budget**

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The New York State budget has finally been adopted, nearly two months after the April 1 deadline. This is the latest State budget since 2010. Although the Governor announced a general budget agreement on May 7, significant negotiations were still needed to arrive at a final deal. The legislature passed fifteen budget extenders to keep the government running while the bills were negotiated.

The final enacted budget totals \$268.5 billion, which is an \$8.5 billion increase from the Governor's initial budget proposal, and a \$14.5 billion increase over last year's final enacted budget. Much of this increase is due to the increasing costs of Medicaid, especially following scaled back federal funding.

The spending plan does not include any income tax increases, but it does include a three-year extension on the current New York corporate tax rate which was set to expire at the end of this year and applies to businesses that net over \$5 million in profits. In addition to these items, the adopted budget also includes several high-profile policy proposals, including automobile insurance liability changes, immigration protections, changes to the Tier 6 public employee pension plan, and changes to the 2019 Climate Leadership and Community Protection Act (CLCPA – see more on this below), which were a large part of the delay for the final enacted budget.

Here is a quick summary of a few of the policy proposals included in the final budget:

- Automobile Insurance Changes - One of the Governor's top priorities was changing New York's automobile insurance laws, as New Yorkers pay some of the highest premiums in the nation. The final budget includes provisions to crack down on fraudulent claims, like staged accidents. New language will prevent auto insurance companies from using a person's employment, education, home ownership and zip code in determining auto insurance rates and will also require insurance companies to seek approval from the Department of Financial Services before raising rates.

- Tier VI Public Pension Plan Changes – A top priority of public sector unions during this budget was changing the 2012 Tier VI retirement law to improve public pension benefits. These changes will impact more than 500,000 public sector employees across the State, including teachers, bus operators, firefighters, police officers, and office workers. Many public employees will now have a lower contribution rate into their pensions while others will see changes to overtime rules and their statutory retirement age.

- Tobacco-free Nicotine Pouches – The Governor proposed a 75% wholesale tax on tobacco-free nicotine pouches, like ZYNs. Despite significant opposition from the business community, but it was included in the final budget legislation.

Of particular interest to our industry, the final budget included several critical changes to the 2019 CLCPA. The modifications are the result of years of effort by ESEA and its colleagues educating state officials on the realities of implementing a law that failed to recognize the many valuable attributes of renewable liquid fuels and the essential role that our members play in the security and reliability of the state's energy sector. We also consistently emphasized the affordability of meeting the state's Climate Act goals and the practical real-world inability to satisfy the law's targets.

The adopted budget has the following changes:

- Eliminates the statutory 2030 goal of reducing greenhouse gas (GHG) emissions by 40% from 1990 levels and substitutes a 60% emissions reduction by 2040. That target includes the qualifier "to the

maximum extent feasible and cost effective.” The law’s 85% GHG reduction by 2050 remains untouched.

- Extends the 2024 deadline for the release of DEC’s regulations to reduce GHG emissions to 12/31/2028. This makes the lawsuit the state had lost at the lower court level and appealed most likely moot since the statute has now changed. The state now has an additional two and a half years to design regulations (possibly the cap and invest program predicted to cost energy consumers thousands in increases costs) or other emission reducing rules.
- Delays the Climate Action Council’s deadline to meet and update its scoping plan from next year to 2028, with updates every six years thereafter.
- Changes the statutory GHG accounting methodology in several respects, placing New York on a more level playing field and consistent with the standard used by other states, countries, and the IPCC. The changes alter the level of GHG reduction the state has already attained without any other action, placing New York closer to achieving its goals. Critically, this methodology more accurately captures the environmental benefits of renewable liquid fuels.]

Other sections of the final budget bill include provisions that:

- Includes a Ratepayer Protection Plan to require fiscal discipline from utilities that would include connecting executive pay directly to customer affordability, require utilities to present a budget constrained option that keeps their operating and capital costs below the rate of inflation when requesting a rate increase, and prohibits the inclusion in rates of the costs of lobbying, political contributions and unnecessary executive travel.
- Invest millions more into the EmPower+ program to help low- and moderate-income households finance energy improvements.
- Establishes a PSC Energy Affordability Index that will reflect each utility’s energy burden on its residential customers.
- Increases the maximum amount of Zero Emission Vehicle rebates to municipalities from \$7,500 to \$30,000.
- Extends the Cleaner Greener Act of 2013 from ending in 2026 to concluding on 4/1/2031. New York State law was designed to promote environmental sustainability, energy efficiency, and community resilience through targeted programs and incentives.
- Provides for the establishment of the Accelerated Solar for Affordable Power (ASAP) Act which requires the PSC to commence a proceeding to address interconnection reforms for solar distributed capacity.
- Establishes a Blue Ribbon Commission on Residential Affordability through energy savings to study the causes and origins of rising utility rates and to recommend any actions or reforms to reduce such rates.
- Creates an Excelsior Power Program to promote smart thermostats and other approaches to reduce peak energy demands by utility customers.

- Extends the alternative fuel tax exemptions for fuel types E-85, CNG, hydrogen, and the partial exemption for B-20 until September 1, 2031
- Creates the Protecting Our Wallets Energy Rebate Program which will allow for a tax credit to New York taxpayers under certain income thresholds to help offset rising energy prices in New York. This is part of the affordability agenda that both the Governor and Legislature were focused on this year.
- Delays the state's electric school bus mandate by five years, moving the deadline for districts to stop buying diesel buses from 2027 to 2032 and pushing the full fleet conversion deadline from 2035 to 2040
- Includes \$1 billion for the Sustainable Future Program as it did last year. The fund is intended to advance climate mitigation measures to help the state meet its climate goals

This is an overview of selected issues included in the final budget. We are still in the process of reviewing its provisions and language and will inform members of additional matters.

The budget process has concluded, and the last scheduled day of the legislative session on Thursday, June 4th. Given how late the State budget process concluded, there is a possibility that the legislative session will spill beyond that date. We are tracking dozens of standalone pieces of legislation that could impact our industry, and we will keep you apprised as the legislative session wraps up for this year.