



This Week in New York

Covering New York State and City Government

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"Obstacles don't define us. Rather, it is the unparalleled courage and character of us that defines us as a people. So my confidence in the future is steeped in our glorious past - in the face of adversity, we always persist. We persevere, we prevail." Governor Kathy Hochul



In the News-New York State



As State Budget Negotiations Lag Governor Raises Possibility of Second Budget Extender

Sticking to her affirmation that "it's more important to get it right," Governor Kathy Hochul this week acknowledged that she may have to call upon the Legislature to enact a second temporary spending authorization. The current spending authorization expires on Monday.

"...We'll be looking at it again on Monday...But its more important to get it right and I'm committed to getting it right," Governor Hochul said in published reports.

Senate Majority Leader Andrea Stewart-Cousins and Assembly Speaker Carl Heastie sent rank and file legislators home earlier this week and remained at the Capitol to discuss outstanding budget issues.

According to published reports, the leaders are moving toward a compromise on bail reform that revises the “least restrictive” bail standard in relation to serious crimes. In addition, Governor Hochul yesterday backed off a controversial push to change the way the State calculates methane emission which was met by stiff criticism from legislators in both houses and environmental groups.

However, the list of unresolved issues including increasing affordable housing, revisiting the minimum wage, expanding the number charter schools, increasing CUNY, SUNY and MTA funding, and addressing NYC’s immigrant expenses still outnumber the areas of agreement.



Governor Hochul Launches Transition of Medicaid Pharmacy Benefit Program

State Moves Away from Fee for Service Program & Federal 340B Drug Program Despite Assembly & Senate One-House Budget Opposition

On April 1st, Governor Kathy Hochul launched [NYRx](#), the state's new pharmacy benefit program, for the eight million New Yorkers enrolled in Medicaid statewide. The “long-awaited transition” will create the largest pharmacy network in New York State.

"The transition to NYRx today is in the best interest of those New Yorkers relying on Medicaid for affordable prescription medication," Governor Hochul said. "In addition to expanding coverage and access through this program, we are also committing hundreds of millions of additional Medicaid dollars to reinvest in critical providers, including Ryan White programs and Federally Qualified Health Centers, to ensure this change is seamless and has positive impacts across our state."

However, both the Senate and Assembly included a repeal of the transition plan in their respective one-house budgets because of the potential lost revenue to community-based providers and the resulting loss of services for New York’s most vulnerable populations.

Prior to the transition, safety-net providers were able to utilize funding from the federal 340B drug program to expand healthcare services and other programs for vulnerable, high-need populations. Some estimates show that safety-net providers will lose hundreds of millions of dollars from lost 340B funding.

Although the State is pledging funding to make the community-based providers “whole,” the providers question the State’s ability to effectively fund the impacted programming, citing payment backlogs in current program funding. Community-based organizations will be forced to curtail health care programs and eliminate staff positions if the State cannot deliver payments on time, putting vulnerable New Yorkers at risk and ultimately increasing the State’s health care costs.

The transition to the Pharmacy Benefit Program was first proposed by then Governor Andrew Cuomo and debated during the 2020-2021 budget process. The enacted 2020-2021 budget postponed the transition until April 1st of this year. Without legislative action, the transition proceeded on April 1st.

The 2023-2024 Executive Budget included implementation of the transition and a 5% increase in inpatient Medicaid rates for hospitals and \$280 million in funding (both state and federal) for the impacted community providers. Meanwhile the Senate one-house budget resolution advanced language (Part VV of S4007-B) to repeal the carve out in favor of alternative legislation sponsored by Senator Gustavo Rivera and Assemblymembers Amy Paulin and Harry Bronson (S 5136/A5911). The Assembly one-house proposal included legislation to repeal the transition as well.

Under the NYRx model, according to the Governor, New York State's Medicaid program will pay pharmacy costs directly, eliminating the need for managed care organizations to administer this benefit through pharmacy benefit managers. The new process creates transparency in reimbursements to pharmacies, leverages the state's purchasing power to negotiate with drug manufacturers, and streamlines administration for practitioners, according to the Governor.

The transition is supported by pharmacological organizations and various health care providers, including the state's largest Federally Qualified Health Center, Sun River Health with over 40 health centers throughout the Hudson Valley, New York City, and Long Island. It is also supported by Refuah Health Center, one of the Department of Health's 25 Performing Provider Systems in the Delivery System Reform Incentive Plan (DSRIP).



Comptroller DiNapoli: Wall Street 2022 Bonuses Fell 26% From Previous Year, Return to Pre-Pandemic Levels

Wall Street's 2022 average bonus paid to securities employees dropped to \$176,700, a 26% decline from the previous year's \$240,400, according to New York State Comptroller Thomas DiNapoli's annual estimate.

According to the Comptroller, rising interest rates and fear of a recession led to significantly less profits on Wall Street after a record year in 2021. As a result, bonuses returned to pre-pandemic levels, which will mean a decline in related income tax revenue, as anticipated by New York State and the city.

The Governor's proposed budget assumed bonuses in the broader finance and insurance sector would decrease by 25.2% in SFY 2022-23, while the CFY 2023 financial plan assumed a decrease of 35.6% for the securities industry.

The \$33.7 billion bonus pool for 2022 was 21% lower than the previous year's record of \$42.7 billion. The fall to pre-pandemic levels mostly reverses the pool's dramatic growth of 25% in 2020 and 15% in 2021. In 2022, Wall Street's pretax profits fell [56% from the previous year](#) due to deep declines in investment-banking fees, which were driven by the Federal Reserve's interest-rate hikes, inflation, and Russia's invasion of Ukraine.

In 2021, bonuses drove income tax gains of \$282 million for the State and \$128 million for the City compared to the prior year. Comptroller DiNapoli projects the 2022 bonuses in New York City's securities industry will generate \$457 million less in state income tax revenue and \$208 million less for the city when compared to the previous year.

The Comptroller estimates that the securities industry accounted for approximately \$22.9 billion in state tax revenue, or 22% of the state's tax collections, for State Fiscal Year (SFY) 2021-22, and \$5.4 billion in city tax revenue, 8% of total tax collections for City Fiscal Year (CFY) 2022.

In the News-New York City



Mayor Adams, OLR Commissioner Campion Announce Tentative \$5.5 Billion Contract Agreement With PBA

Provides Wage Increases for First Time in Six Years

New York City Mayor Eric Adams and New York City Office of Labor Relations (OLR) Commissioner Renee Campion yesterday announced a tentative \$5.5 billion contract agreement with the Patrolmen's Benevolent Association (PBA) that will offer pay increases for New York City Police Department (NYPD) officers for the first time in six years. The agreement is subject to ratification by the PBA's members.

The eight-year agreement is retroactive to 2017 and would cover approximately 23,000 members. For only the third time since 1994, the City of New York and the PBA have reached a voluntary agreement.

The tentative agreement would begin on August 1, 2017, and end on July 31, 2025. It includes wage increases ranging from 2.25 percent to 4.00 percent over the contract period. It also includes an equity fund to increase starting salaries for NYPD officers and to improve the schedule for raises in the early years of employment.

In addition, a new pilot program will allow officers to test working extended tours of 10 and 12-hour shifts. Officers participating in the pilot will work the same number of hours per year, but the program provides greater flexibility to increase staffing during times when crime is highest, or other issues arise.

The tentative agreement is fully funded for the first three years and has a net budgetary impact of approximately \$2 billion through FY27. The agreement is consistent with raises other uniformed groups received in the last round of bargaining and is the first uniformed agreement reached in the new round.

It includes:

- **Equity fund for salary increases for entry-level and early officers:** The contract dedicates funding to improve the early steps of the salary schedule. As of August 1, 2023, new officers in their first year will earn a base pay of \$53,790, plus a neighborhood policing differential payment that automatically adds 2.25%, or \$1,210, to the salary that all officers receive (previously negotiated in the 2012-2017 agreement). Altogether, officers will be compensated approximately \$60,000 when including all differentials, holiday pay, and a uniform allowance. As of August 1, 2024, the top pay for police officers after 5.5 years of service, including all differentials, longevity, holiday pay, and uniform allowance, will be \$131,500 per year.
- **Extended tour pilot:** The city will introduce a groundbreaking pilot program to implement 10 and 12-hour tours for officers. This program is expected to improve officer morale while providing the NYPD with greater flexibility to increase staffing during times when crime is highest. Initially launching in two Bronx precincts, one transit district, and one housing service area, the pilot will run for six months, with plans to expand further if successful. Officers will work the same number of hours each year (2,088) with no additional cost or budgetary impact expected.

Members of the union will receive the following compounded and retroactive wage increases:

- August 1, 2017 – 2.25%.
- August 1, 2018 – 2.50%.
- August 1, 2019 – 3.00%.
- August 1, 2020 – 3.25%.
- August 1, 2021 – 3.25%.
- August 1, 2022 – 3.50%.
- August 1, 2023 – 3.50%.
- August 1, 2024 – 4.00%.



A Tale of Two Visions: Mayor Adams Calls for 4% PEG & City Council Looks to Add \$2.7 Billion to City's FY24 Budget

Depending upon which leader you listen to this week, New York City agencies either need to tighten their belts or can be expecting a windfall of much needed program funding.

The Adams Administration this week issued a letter to City agency heads directing them to develop a plan to implement a 4% Program to Eliminate the Gap (PEG) by mid-April, while the City Council released its budget response which identified \$2.7 billion in additional resources to restore cuts from the Mayor's preliminary budget.

In a [letter](#) to Agency heads, City Budget Director Jacques Jiha outlined the specifics of the plan which includes a 4% PEG program in FY24 and the outyears for all agencies except the Department of Education and the City University of New York, which will be subject to a 3% PEG to minimize disruption to schools and classrooms.

The Budget Director cited the substantial growth in the cost of caring for asylum seekers (\$4.3 billion over FY23 and FY24), the need to fully fund the labor reserve for the cost of the pattern established by the DC37 labor deal (more than \$16 billion through FY27), and the unexpected cuts and cost shifts proposed in the governor's Executive Budget (more than \$1 billion per year).

Savings initiatives must be submitted to the Office of Management and Budget (OMB) by April 14; they cannot include layoffs and should avoid meaningfully impacting services where possible. OMB will identify savings opportunities for agencies if the PEG targets are not met.

Meanwhile, earlier this week, New York City Council Speaker Adrienne Adams, Finance Committee Chair Justin Brannan, Deputy Speaker Diana Ayala, and Council Members unveiled the Council's Fiscal Year 2024 Preliminary Budget Response. The Council identified additional tax revenues to fund additions. Specifically, they proposed \$1.3 billion in investments across key areas (housing, the City's workforce, the delivery of essential services, prioritization of resources, health, safety, and education) and restoration of proposed cuts to important programs that were made in the Mayor's Preliminary Budget. The response also calls for \$1.4 billion to be set aside for reserves to address the potential budgetary risks associated with the state budget.

According to the Council, the \$2.7 billion in available funding from the Council is a portion of the \$5.2 billion in additional tax revenues forecasted by Council Finance Division economists that exceeds the Office of Management and Budget's estimates. The remainder of these revenues were designated to cover labor contract settlements based on the pattern set by DC 37.

The Council's response can be accessed [here](#).

Briefs

NYS Cannabis Control Board Awards an Additional 99 Conditional Adult Use Retail Dispensary Provisional Licenses

The New York State Cannabis Control Board provisionally approved 99 more Conditional Adult-Use Retail Dispensary (CAURD) licenses, increasing New York's total provisional retail dispensary licenses to 165.

The licenses included four in Western New York, one in Central New York, five in MidHudson, and three in Brooklyn, the first provisional licenses to be issued in these regions following last week’s modification of a court injunction. The injunction still applies to the Finger Lakes region.

License applications will continue to be sent to the Board for consideration on a rolling basis. To be eligible, applicants themselves were required to either have had a cannabis conviction or be the family member of someone who has and have owned a profitable business. Nonprofits were eligible if they had a history of serving current or formerly incarcerated individuals, including creating vocational opportunities for them; have at least one justice-involved board member; at least five full-time employees; and have operated a social enterprise that had net assets or profit for at least two years.

Region	Applications
Bronx	9
Brooklyn	3
Capital	5
Central	1
Long Island	23
Manhattan	21
Mid-Hudson	5
Mohawk Valley	2
North Country	4
Queens	17
Staten Island	3
Southern Tier	2
Western	4
Total	99

Under the Marijuana Regulation and Taxation Act (MRTA), the Cannabis Control Board’s social and economic equity plan must promote diversity in commerce, ownership and employment, and opportunities for social and economic equity in the adult-use cannabis industry. In the plan, a goal must be established to award 50 percent of adult-use cannabis licenses to social and economic equity applicants and ensure inclusion of:

- (a) individuals from communities disproportionately impacted by the enforcement of cannabis prohibition.
- (b) minority-owned businesses.
- (c) women-owned businesses.
- (d) minority and women-owned businesses.
- (e) distressed farmers.
- (f) service-disabled veterans.

To date, the license application process has not been opened to individuals that qualify solely under the other classifications (b-f).

JetBlue CEO: Flights In and Out of New York will be Cut this Summer

JetBlue CEO Robin Hayes, in published reports, warned that the airline is going to have to cut flights into and out of the New York area this summer due to a shortage of air traffic controllers.

According to Hayes, staffing at the air traffic control center that handles all inbound, outbound and through traffic across New York airspace is currently at 54% of what is needed.

"Even though we're ready, we've got airplanes, we've hired pilots... JetBlue and other airlines are going to have to cut flights in and out of New York this summer in order to cope," Hayes said.

She added that the Federal Aviation Administration (FAA) warned that if the industry does not cut flights in the area, delays will be 45% worse compared to last summer during which approximately 350 flights were delayed in the New York area every day due, in part, to air traffic controller shortages.

Delinquent Debtors Owe NYC \$2.1 Billion

Late payments to New York City for unpaid fines and charges total \$2.1 billion since 2017, according to an analysis from the Independent Budget office (IBO).

At the request of Council Member Gail, Brewer, IBO examined three primary sources of delinquent accounts: (1) parking and camera-generated violations, (2) lienable property charges, and (3) penalties adjudicated by the Office of Administrative Trials and Hearings (OATH) incurred over the past six calendar years, from 2017 through 2022.

The \$2.1 billion total includes more than \$1 billion in parking and camera-generated fines, more than \$150 million in lienable property charges, and about \$940 million in penalties adjudicated by OATH.

The IBO indicated that the figure does not include sales, income, and business taxes, as well as unpaid sewer and water charges. In addition, it did not examine the cost of increasing enforcement or collection, nor what the success rate of any increases may be.

New York City Pension Funds Adopt Implementation Plan to Achieve Net Zero Investment Portfolio By 2040

New York City Comptroller Brad Lander and the New York City Employees' Retirement System (NYCERS) and the Teachers Retirement System (TRS) this week announced implementation plans to reach their goal of net zero emissions in their investment portfolios by 2040.

The Net Zero Implementation Plans encompass four strategies that the pension funds will employ to achieve net zero emissions:

1. **Disclose emissions and set interim targets**, including measurable goals and benchmarks across all investments and operations, specific interim emissions reduction targets by asset class, and disclosure of Scopes 1, 2, and 3 emissions. The plans specifically call for a public equity and corporate fixed income portfolio emissions reduction target of 32% for Scopes 1 and 2 by 2025, of 59% by 2030 for Scopes 1, 2 and 3, and of 100% by 2040.
2. **Engage portfolio companies and asset managers to be net zero-aligned**. The plans call for strengthening partnerships with other investors to collectively make change at the scale of individual companies, specific sectors, and the economy as a whole. For example, this year the pension funds brought shareholder resolutions at major banks to adopt absolute emissions targets, which would drive major reductions in bank lending for fossil fuel infrastructure projects, if enacted.

3. **Invest in climate change solutions**, such as renewable energy, energy efficiency, pollution prevention, and low-carbon buildings to reach the ultimate goal of \$50 billion invested in climate solutions across all five NYC pension funds by 2035. NYCERS' plan sets an interim target of \$4 billion of climate solutions investment by the System by 2025, and \$17 billion by 2035. TRS' plan sets an interim target of \$4.2 billion by 2025 and \$19 billion by 2035.
4. **Divest to reduce risk**, building on the funds' historic divestment of fossil fuel reserve owners in public equities by asking all private markets managers to exclude upstream fossil fuel investments. In addition, if thorough engagement proves to be futile with managers or companies whose core business undermines climate goals, the systems will consider excluding them, consistent with fiduciary duty.

Coming Up

New York State

Monday, April 10th

Assembly Session, New York State Capitol Building, Assembly Chamber, Albany, TBD

Senate Session, New York State Capitol Building, Senate Chamber, Albany, TBD

New York City

Monday, April 10th

Committee on Transportation and Infrastructure, Council Chambers – City Hall, 1 p.m.
Oversight - Truck Routes.

Tuesday, April 11th

Committee on Finance, Committee Room – City Hall, 10 a.m.

Committee on Rules, Privileges and Elections, Council Chambers – City Hall, 10:30 p.m.

Committee on Consumer and Worker Protection, Committee Room - City Hall – VOTE, 11 a.m.

City Council, Council Chambers – City Hall, 1:30 p.m.

Wednesday, April 12th

Committee on Small Business, Committee Room - City Hall, 1 p.m.

Thursday, April 13th

Committee on Housing and Buildings, Council Chambers – City Hall, 10 a.m.

Oversight - Homeownership Opportunities and Development Programs.

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