# YOUR FAMILY IS MY FIGHT

## FY2026 NYS ENACTED BUDGET FINANCIAL PLAN
## FIRST QUARTERLY UPDATE

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## Introduction

The Enacted Budget Financial Plan for Fiscal Year (FY) 2026 was published on June 12, 2025.[1]

On July 4, 2025, the President signed a bill that substantially alters Federal funding for health care and food security programs and services provided to New Yorkers and amends the Federal tax liability of New York's residents and businesses. The bill is expected to increase State and local government costs for health care and food security programs beginning January 1, 2026. The impact on the current fiscal year (FY 2026) is projected to be roughly $750 million; however, preliminary cost estimates in future years could be in the range of $3 to $5 billion for State and local governments absent any programmatic, service, coverage, or funding modifications that may be necessary.

The State is analyzing the programmatic and fiscal implications of the bill, as well as options to redress the fiscal impacts and expects to update the multi-year Financial Plan as more information becomes available. The Division of the Budget (DOB) expects that the immediate costs associated with the Federal bill will be addressed throughout the remainder of the fiscal year, and long-term costs will be integrated into the FY 2027 Executive Budget process.

Operating results through the first quarter of the fiscal year (April 1, 2025 through June 30, 2025) were largely attributable to fluctuations in the timing of spending transactions. Tax receipts, excluding Pass-Through Entity Tax (PTET) business tax collections, were $216 million (0.7 percent) lower than forecasted mainly due to declines in Corporate Franchise and insurance tax receipts. PTET[2] business tax collections exceeded projections likely due to taxpayer behavior in response to the debate in Congress surrounding the deductibility of taxes designed as workarounds for the State and Local Tax (SALT) cap, although enacted legislation did not include any restrictions on states' or individuals' ability to utilize elective pass-through entity taxes. Fluctuations in PTET receipts do not provide any fiscal benefit for the State as the program was designed to be Financial Plan neutral and thus the funds are not available to support operational or programmatic spending. State Operating Funds spending was $1.4 billion below the Enacted Budget estimates due primarily to routine timing delays of assistance and grants spending across several program areas and various capital construction projects. A summary of the operating results for the first quarter of the fiscal year is provided herein.

DOB has updated the economic outlook attributable to new data releases in the period following the Enacted Budget that show a narrowing of the trade deficit, stronger business investment, and a rebound in equity markets. The new data shows a slight improvement in the economic forecasts for 2025 and 2026; however, it does not fully reflect potential effects of the Federal legislation, and conditions for low economic growth and high inflation (known as stagflation) continue to present risk.

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[1] The FY 2026 Enacted Budget Financial Plan is available at [FY 2026 Enacted Budget Financial Plan]().

[2] The Financial Plan impact of the PTET program is expected to be revenue neutral, on a multi-year basis, for the State. PTET receipts are claimed as Personal Income Tax (PIT) credits in subsequent years, and annual differences between PTET collections and related PIT credits are balanced with the reserve established at the inception of the program.

Given the short time that has elapsed since the Enacted Budget Financial Plan release, the marginal receipts, timing related spending variances, and minor revisions to economic indicators, the DOB is not making any revisions to the annual projections of receipts and disbursements at this time. As such, the projections in the Financial Plan (and the general assumptions upon which they are based) remain unchanged from the FY 2026 Enacted Budget Financial Plan in this First Quarterly Update (the "Financial Plan").

DOB will review and update, as needed, its Financial Plan projections of annual receipts and disbursements following the close of the second quarter at which time, DOB also expects to have more clarity on the impacts of the Federal bill.

A summary of the operating results through the first quarter of the fiscal year and updates to the economic outlook since the Enacted Budget Financial Plan, as well as revised information on the initial assessment of the Federal bill, is provided herein.

# First Quarter Operating Results

Operating results for the first quarter of FY 2026 (April 2025 through June 2025) are compared to: (1) the projections set forth in the FY 2026 Enacted Budget Financial Plan ("initial estimates") and (2) prior fiscal year results for the same period (April 2024 through June 2024).

## Summary of General Fund Operating Results

The General Fund ended June 2025 with a balance of $53.6 billion, $2.7 billion above the initial estimate, primarily driven by routine timing related spending variances and higher PTET collections that are set aside in a reserve to fund credits and refunds in subsequent years, and therefore Financial Plan neutral.

**GENERAL FUND OPERATING RESULTS**
**FY 2026 April to June**
**(millions of dollars)**

| | | | Variance Above/ (Below) Initial Estimate | |
|---|---|---|---|---|
| | **Initial Estimate** | **Actuals** | **$** | **%** |
| **OPENING BALANCE** | **56,916** | **56,916** | **0** | **0.0%** |
| **Total Receipts** | **32,509** | **33,253** | **744** | **2.3%** |
| Taxes: | 30,840 | 31,442 | 602 | 2.0% |
| Personal Income Tax[1] | 19,164 | 19,230 | 66 | 0.3% |
| Consumption / Use Taxes[1] | 4,906 | 4,962 | 56 | 1.1% |
| Business Taxes | 2,901 | 2,629 | (272) | -9.4% |
| Pass Through Entity Tax | 3,143 | 3,939 | 796 | 25.3% |
| Other Taxes[1] | 726 | 682 | (44) | -6.1% |
| Miscellaneous and Federal Receipts | 1,059 | 1,199 | 140 | 13.2% |
| Transfers From Other Funds | 610 | 612 | 2 | 0.3% |
| **Total Spending** | **38,557** | **36,579** | **(1,978)** | **-5.1%** |
| Assistance and Grants | 23,314 | 21,947 | (1,367) | -5.9% |
| Agency Operations (including GSCs) | 5,902 | 5,730 | (172) | -2.9% |
| Transfers to Other Funds | 9,341 | 8,902 | (439) | -4.7% |
| Debt Service Transfer | 7 | 7 | 0 | 0.0% |
| Capital Projects Transfer | 1,913 | 1,553 | (360) | -18.8% |
| SUNY Operations Transfer | 961 | 934 | (27) | -2.8% |
| All Other Transfers | 6,460 | 6,408 | (52) | -0.8% |
| **Change in Operations** | **(6,048)** | **(3,326)** | **2,722** | **45.0%** |
| **CLOSING BALANCE** | **50,868** | **53,590** | **2,722** | **5.4%** |

[1] Includes transfers from other funds after debt service.

## General Fund Receipts

Through June 2025, General Fund Receipts, including transfers from other funds and excluding PTET receipts, fell below the initial estimate by $52 million (0.2 percent). The variance was mainly due to lower business tax collections ($272 million), primarily gross Corporate Franchise Tax and Insurance tax receipts and other tax receipts, partly offset by marginally higher PIT and sales tax collections. PTET receipts exceeded the initial estimate ($796 million) driven by stronger than anticipated estimated payments likely due to taxpayer behavior in response to the debate in Congress surrounding deductibility of taxes designed as workarounds for the SALT cap.

Miscellaneous receipts were higher ($140 million) than initially estimated due to greater than anticipated refunds and reimbursements and earnings from investment income.

## General Fund Spending

General Fund spending, including transfers to other funds, totaled $36.6 billion, $2 billion (5.1 percent) below the initial estimate. Lower than projected spending is primarily due to routine timing-related delays across all categories. Spending for assistance and grants spending was $1.4 billion lower than the initial estimate with the largest variances observed in the following areas:

- School Aid ($553 million) was driven by lower than anticipated General Aid ($523 million) and Excess Cost Aid ($47 million) payments.

- The timing of payments to counties to reimburse costs related to preschool special education delayed All Other Education spending ($533 million).

- Office of Children and Family Services (OCFS) projected spending for various programs including Day Care, Foster Care Block grants, and Adult Protective Services did not occur as initially estimated ($169 million).

- Credits and offsets in the Child Health Plus (CHP) program that shift Medicaid costs out of the General Fund occurred sooner than expected ($96 million).

Agency operations spending, including fringe benefits, was $172 million (2.9 percent) below the plan, driven by modest spending variances across most agencies, as well as the earlier than expected reclassification of City of New York tax processing expenses that shifts costs from the General Fund to the dedicated NYC Assessment account.

Transfers to other funds were lower than projected ($439 million) due mainly to lower reimbursement needs for capital projects spending that is now expected to occur later in the fiscal year.

## Summary of All Governmental Funds Operating Results

ALL GOVERNMENTAL FUNDS COMPARED TO PLAN
FY 2026 April to June
(millions of dollars)

| | Initial Estimate | Actuals | Variance Above/ (Below) Initial Estimate $ | Variance Above/ (Below) Initial Estimate % |
|---|---|---|---|---|
| **OPENING BALANCE** | **73,696** | **73,696** | **0** | **0.0%** |
| **ALL FUNDS RECEIPTS:** | **66,627** | **65,855** | **(772)** | **-1.2%** |
| **Total Taxes** | **32,628** | **33,208** | **580** | **1.8%** |
| Personal Income Tax | 19,143 | 19,209 | 66 | 0.3% |
| Consumption / Use Tax | 5,765 | 5,767 | 2 | 0.0% |
| Business Taxes | 3,814 | 3,576 | (238) | -6.2% |
| Pass Through Entity Tax | 3,143 | 3,939 | 796 | 25.3% |
| Other Taxes | 763 | 717 | (46) | -6.0% |
| **Miscellaneous Receipts** | **8,155** | **7,476** | **(679)** | -8.3% |
| **Federal Receipts** | **25,844** | **25,171** | **(673)** | **-2.6%** |
| **ALL FUNDS DISBURSEMENTS:** | **62,571** | **60,874** | **(1,697)** | **-2.7%** |
| **STATE OPERATING FUNDS** | **35,322** | **33,909** | **(1,413)** | **-4.0%** |
| **Assistance and Grants** | **26,704** | **25,421** | **(1,283)** | **-4.8%** |
| School Aid | 9,712 | 9,132 | (580) | -6.0% |
| DOH Medicaid | 9,800 | 9,545 | (255) | -2.6% |
| Higher Education | 1,013 | 1,019 | 6 | 0.6% |
| Transportation | 1,175 | 1,179 | 4 | 0.3% |
| Social Services | 985 | 788 | (197) | -20.0% |
| Mental Hygiene | 1,607 | 1,679 | 72 | 4.5% |
| All Other | 2,412 | 2,079 | (333) | -13.8% |
| **State Operations** | **8,591** | **8,460** | **(131)** | **-1.5%** |
| **Agency Operations** | **6,198** | **6,087** | **(111)** | **-1.8%** |
| Executive Agencies | 3,429 | 3,348 | (81) | -2.4% |
| University Systems | 1,987 | 1,972 | (15) | -0.8% |
| Elected Officials | 782 | 767 | (15) | -1.9% |
| **Fringe Benefits/Fixed Costs** | **2,393** | **2,373** | **(20)** | **-0.8%** |
| Pension Contribution | 458 | 458 | 0 | 0.0% |
| Health Insurance | 1,425 | 1,424 | (1) | -0.1% |
| Other Fringe Benefits/Fixed Costs | 510 | 491 | (19) | -3.7% |
| **Debt Service** | **27** | **28** | **1** | **3.7%** |
| **CAPITAL PROJECTS (State and Federal Funds)** | **3,911** | **3,487** | **(424)** | **-10.8%** |
| **FEDERAL OPERATING AID** | **23,338** | **23,478** | **140** | **0.6%** |
| **NET OTHER FINANCING SOURCES** | **(6,057)** | **(6,038)** | **19** | **0.3%** |
| **CHANGE IN OPERATIONS** | **(2,001)** | **(1,057)** | **944** | **47.2%** |
| **CLOSING BALANCE** | **71,695** | **72,639** | **944** | **1.3%** |

All Governmental Funds receipts and spending were lower than initial projections resulting in a $944 million operating variance that lowered the actual closing balance to $72.6 billion.

All Funds receipts fell below initial estimates due to a combination of lower Federal ($673 million) and miscellaneous receipts ($679 million), which were partly offset by higher tax collections ($580 million). The tax variance is largely due to PTET and consistent with the General Fund variances described above. Federal receipts vary consistent with the timing of Federal operating aid spending that is partly reimbursement based. Lower miscellaneous receipts are largely driven by managed care organization related collections into the Healthcare Stability Fund beginning in July 2025, rather than June 2025 as previously anticipated.

All Funds spending was below the initial estimates mainly due to timing related spending delays in State Operating Funds ($1.4 billion) and various capital projects ($424 million), mainly transportation and economic development construction projects, consistent with the variances described in the General Fund section above.

Federal operating aid spending was $140 million (0.6 percent) above initial projections. The largest variances were in the following areas.

- Temporary and Disability Assistance ($451 million higher) for Child Care, the Summer Electronic Benefit Transfer (EBT) program, Benefit Payments, and the Flexible Fund for Family Services.

- Homeland Security and Emergency Services ($258 million higher) for Federal Emergency Management Agency (FEMA) funding that flows through the Financial Plan to reimburse local entities for COVID-19 expenses.

- OCFS ($210 million higher) for prioritizing the use of Federal funds for Child Care and Child Welfare programs.

- Medicaid, including administration, ($901 million lower) due to the timing of disproportionate share hospital (DSH), intergovernmental transfer, and Nursing Home upper payment limit (UPL) payments that did not disburse as originally expected.

## All Governmental Funds Results Compared to Prior Year

**ALL GOVERNMENTAL FUNDS - RESULTS COMPARED TO PRIOR YEAR**
**FY 2026 April to June**
**(millions of dollars)**

| | Actuals | | Increase/(Decrease) | |
|---|---|---|---|---|
| | FY 2025 | FY 2026 | $ | % |
| **OPENING BALANCE** | **65,913** | **73,696** | **7,783** | **11.8%** |
| **ALL FUNDS RECEIPTS:** | **62,158** | **65,855** | **3,697** | **5.9%** |
| **Total Taxes** | **29,874** | **33,208** | **3,334** | **11.2%** |
| Personal Income Tax | 16,257 | 19,209 | 2,952 | 18.2% |
| Pass Through Entity Tax | 3,281 | 3,939 | 658 | 20.1% |
| All Other Taxes | 10,336 | 10,060 | (276) | -2.7% |
| **Miscellaneous Receipts** | **8,488** | **7,476** | **(1,012)** | **-11.9%** |
| **Federal Receipts** | **23,796** | **25,171** | **1,375** | **5.8%** |
| **ALL FUNDS DISBURSEMENTS:** | **54,955** | **60,874** | **5,919** | **10.8%** |
| **STATE OPERATING FUNDS** | **30,756** | **33,909** | **3,153** | **10.3%** |
| **Assistance and Grants** | **22,983** | **25,421** | **2,438** | **10.6%** |
| School Aid | 8,836 | 9,132 | 296 | 3.3% |
| DOH Medicaid (incl. admin and EP) | 8,746 | 9,545 | 799 | 9.1% |
| All Other | 5,401 | 6,744 | 1,343 | 24.9% |
| **State Operations** | **7,719** | **8,460** | **741** | **9.6%** |
| **Agency Operations** | **5,587** | **6,087** | **500** | **8.9%** |
| Executive Agencies | 3,070 | 3,348 | 278 | 9.1% |
| University Systems | 1,805 | 1,972 | 167 | 9.3% |
| Elected Officials | 712 | 767 | 55 | 7.7% |
| **Fringe Benefits/Fixed Costs** | **2,132** | **2,373** | **241** | **11.3%** |
| Pension Contribution | 408 | 458 | 50 | 12.3% |
| Health Insurance | 1,341 | 1,424 | 83 | 6.2% |
| Other Fringe Benefits/Fixed Costs | 383 | 491 | 108 | 28.2% |
| **Debt Service** | **54** | **28** | **(26)** | **-48.1%** |
| **CAPITAL PROJECTS (State and Federal Funds)** | **2,747** | **3,487** | **740** | **26.9%** |
| **FEDERAL OPERATING AID** | **21,452** | **23,478** | **2,026** | **9.4%** |
| **NET OTHER FINANCING SOURCES** | **(38)** | **(6,038)** | **(6,000)** | **-15789.5%** |
| **CHANGE IN OPERATIONS** | **7,165** | **(1,057)** | **(8,222)** | **-114.8%** |
| **CLOSING BALANCE** | **73,078** | **72,639** | **(439)** | **-0.6%** |

Compared to FY 2025 results through June, receipts and disbursements were higher in FY 2026 by $3.7 billion and $5.9 billion, respectively.

Excluding PTET collections, tax receipts grew by $2.7 billion (10.1 percent) inclusive of anticipated growth across most tax categories with strong growth in PIT receipts experienced in the April 2025 settlement. The decline in other taxes is concentrated in business taxes as payors respond to market uncertainty.

The annual decline in miscellaneous receipts is primarily due to the timing of bond sales and proceed reimbursements. Growth in Federal receipts typically follow the timing of spending supported by Federal grants.

State Operating Funds spending in the first quarter of the fiscal year increased 10.3 percent compared to the prior year reflective of planned funding increases for School Aid, inclusive of increased Excess Cost Aid and Boards of Cooperative Educational Services Aid spending, Medicaid, Mental Hygiene and Higher Education. Medicaid growth is largely attributable to the timing of State share Managed Care directed payment template payments that disbursed earlier in FY 2026 to support Financially Distressed Hospitals. Other notable growth includes Office for People with Developmental Disabilities local share and programmatic spending and planned increases in support for City University of New York Senior Colleges as well as Tuition Assistance Program awards.

Growth in executive agency operations spending was nominal in the first quarter. However, staffing shortages at prisons throughout the State due to the correctional officer strike, assignment of National Guard members to correctional facilities, and the temporary enhanced overtime rate for correctional staff drove higher operational spending at these agencies.

University systems' spending through June increased 9.3 percent from the prior year largely due to salary increases pursuant to existing labor contracts, hiring rates, and increased funding for campus and hospital operations. Spending growth for Elected Officials was due primarily to higher Judiciary spending.

Rising costs for health and Social Security benefits, as well as expanded pension benefits and rate increases, drove higher Fringe Benefits costs.

Increased Federal operating spending is largely due to growth in Medicaid claims and the timing of DSH and UPL payments; FEMA reimbursements for costs incurred for COVID-19 pandemic response and recovery efforts that were passed through to local entities; enrollment growth in the Essential Plan (EP) associated with the 1332 waiver; and increased Office of Temporary and Disability Assistance Child Care and Summer EBT payments. These increases are partially offset by decreased spending for COVID-19-related education and Elementary and Secondary Education Title Act grants; and a decline in OCFS Child Care and Child Welfare payments.

# Economic Outlook

Although conditions for low economic growth and high inflation (known as stagflation) present a major downside risk for the upcoming quarters, DOB's updated economic outlook sees a slight improvement in the forecasts for 2025 and 2026. These upward revisions are a result of new data releases in the period following the Enacted Budget showing a narrowing of the trade deficit, stronger business investment, and a rebound in equity markets. However, consumer spending and wage growth have already moderated considerably since the beginning of 2025, a stark shift from the resilient consumer behavior seen in 2024. With the labor market also showing signs of cooling, this paints a picture of vulnerable economic fundamentals.

This update does not fully reflect potential effects of the Federal legislation enacted July 4, 2025, which introduces further upside and downside risks to the economic forecast. While DOB is currently in the process of evaluating the full extent of the bill's economic impact, the law is likely to boost output slightly in the short run, while imposing large fiscal costs in the longer term. As a result of this and the ongoing trade policy negotiations, forecast uncertainty remains high.

In New York, the economic outlook is mixed. Slower job growth is expected to persist for the remainder of 2025 and continue to exert downward pressure on household income and service sector employment. However, some of the weakness in the State's economy is offset by stronger-than-anticipated financial market performance since October of last year, which led to stronger forecasted bonus income and upward revisions to projected wage growth later this calendar year and 2026.

## U.S. Real GDP Growth

DOB's U.S. economic outlook for the First Quarterly Update of the Financial Plan reflects a slight upward revision to the annual economic growth rate for 2025 as a result of stronger-than-expected data on business investment and net exports, and lower-than-expected energy prices. U.S. real Gross Domestic Product (GDP) growth is still projected to decelerate to 1.3 percent in 2025 from 2.8 percent in 2024 – an upward revision of 0.1 percentage points from the Enacted Budget forecast. While the real GDP growth rate for 2026 is revised up by 0.4 percentage points to 1.7 percent, outyear growth rates are essentially unchanged.

## Employment

DOB's employment outlook for 2025 and 2026 is essentially unchanged from the Enacted Budget forecast, but New York State employment is expected to grow at a slightly slower pace. U.S. total nonfarm employment growth is expected to slow further to 1.0 percent in 2025 from 1.3 percent in 2024. DOB forecasts that this path of deceleration will continue into 2026 with employment growing at 0.4 percent. The 2025 employment outlook for the State remains unchanged from the Enacted Budget forecast, but 2026 growth has been revised down to 0.2 percent from 0.3 percent. The projected slowdown is not uniform across industry sectors. Interest rate-sensitive sectors such as construction and professional services are expected to continue seeing slower job growth, while healthcare services and education are expected to see modest job gains nationally.

New York's labor market is expected to largely follow national trends, but some sectors could see disproportionally more negative impact. Cuts to Federal programs like Medicaid and Supplemental Nutrition Assistance Program (SNAP) could hamper employment growth in the healthcare, retail, and leisure and hospitality sectors. Additionally, a decline in international tourism is expected to contribute to a slowdown in employment growth within service-producing sectors.

The national unemployment rate in 2025 ticked down to 4.2 percent as of June 2025, slightly lower than the projection of 4.3 percent in the Enacted Budget forecast. DOB projects the U.S. unemployment rate to average 4.3 percent in 2025 compared to 4.0 percent in 2024, and it could jump to 4.6 percent in 2026 in response to anticipated stagflationary conditions. DOB's projections for the State unemployment rate have been revised down by 0.1 percentage points to 4.3 percent in 2025 and 4.5 percent in 2026. This downward revision in the unemployment rate is due to slowing labor force growth. As workers exit the labor force for reasons such as retirement, they will not be counted among the unemployed.

## Personal Income and Wages

While DOB's outlook on U.S. personal income for 2025 and 2026 has been revised up slightly since the Enacted Budget forecast to reflect stronger-than-expected wage growth and other labor income growth data, the overall downward trajectory of income growth remains unchanged. National personal income growth is expected to slow from 5.4 in 2024 to 4.7 percent in 2025, a 0.2 percentage point revision from the Enacted Budget forecast. DOB expects this decelerating path to persist in 2026. State personal income growth for FY 2026 has also been revised up by 0.3 percentage points to 3.8 percent, mainly driven by an improved outlook for finance and insurance sector bonus payouts for FY 2026.

The revisions reflect stronger wage growth data due to a labor market that has cooled less than expected in the first half of 2025. Non-wage personal income components, however, saw downward revisions due to continued weakness in the real estate market and elevated interest rates, coupled with struggling small businesses in the aftermath of tariff hikes and trade policy uncertainty. Similarly, State non-wage personal income was revised down, primarily due to weak property income (including dividends, interest, and rent) and proprietors' income in the first half of 2025 driven by lower small business profits and corporate earnings. Stronger wage growth more than offsets the weakness in these categories, resulting in an overall upward revision to State personal income.

## Inflation, Monetary Policy, and Financial Markets Conditions

The First Quarterly Update of the Financial Plan forecast continues to expect the Federal Reserve to implement two interest rate cuts in 2025, in line with updated market expectations. Inflation has eased modestly, with consumer price index inflation projected at 2.9 percent in 2025 and 3.2 percent in 2026, slightly below the Enacted Budget forecast. Lower energy prices and stable inflation expectations have contributed to this downward revision, but tariff policy is expected to put upward pressure on prices and remains unpredictable. Regardless of the outcome of new trade deals, the level of tariffs is expected to be considerably higher than in recent years.

Equity market performance as measured by the S&P 500 has recovered sharply since April, despite earlier market concern over rising tariffs. However, market volatility is expected to remain high. The S&P 500 is expected to end the year with a 3.3 percent decline as earnings growth moderates.

## Risks to the Outlook

While this forecast update reflects modest improvements to the economic outlook, considerable risks remain. On the downside, high borrowing costs, softer wage gains, and weaker job growth could further slow consumer spending. The potential for increased geopolitical conflict may put upward pressure on energy prices, weighing on businesses and consumers. Potential widespread ramifications from Federal policies are unpredictable and remain to be seen. Financial market volatility and trade uncertainty could dampen bonuses and business investment, and persistent inflation may delay rate cuts. On the upside, stronger business investment driven by a deregulatory policy environment and lower energy prices, continued equity gains, and a more defined trade policy environment could boost growth beyond current projections.

## Initial Estimate of Impact of Federal Legislation

The summary below provides the State's initial estimates of the potential State and local government costs absent any programmatic, service, coverage or funding modifications that may be necessary.

MAJOR FISCAL PROVISIONS OF FEDERAL LEGISLATION
COSTS TO STATE AND LOCAL GOVERNMENTS[1]
(millions of dollars)

| | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|---|---|---|---|---|
| **TOTAL** | **(750)** | **(3,103)** | **(3,790)** | **(4,770)** |
| **MEDICAID/ESSENTIAL PLAN** | **(750)** | **(3,000)** | **(3,000)** | **(3,395)** |
| Disallowing Premium Tax Credit | (750) | (3,000) | (3,000) | (3,000) |
| Community Engagement Requirements | 0 | TBD | TBD | TBD |
| Provider Tax Limitation | 0 | 0 | TBD | (395) |
| **SNAP** | **0** | **(103)** | **(790)** | **(1,375)** |
| Increasing Administrative Cost Sharing | 0 | (103) | (205) | (205) |
| Requiring State/Local Share | 0 | 0 | (585) | (1,170) |

[1] All estimates are preliminary and reflect the combined cost to State and local governments.

Medicaid. Certain Medicaid populations will be disqualified from obtaining premium tax credits based on immigration status, effective January 1, 2026, thereby eliminating the Federal funding received for this population in the EP. If those individuals who currently qualify for EP are determined to be eligible to move to the Medicaid program, it could cost the State up to $3 billion annually. The bill also includes changes to public insurance eligibility for certain non-citizen populations, which may impact the State-share cost of coverage for individuals that are currently eligible for public health care programs.

Effective January 1, 2027, states will also be required to establish Medicaid community engagement requirements for certain non-exempted populations that will be required to document 80 hours per month of work, education, and/or community service to be eligible for Medicaid benefits. Initial estimates forecast as many as 750,000 to 1.5 million enrollees may be impacted by this new requirement. These requirements could result in changes to the State’s out-year Medicaid enrollment projections, as well as implementation costs for the Department of Health.

Beginning on October 1, 2027, the State's ability to utilize provider taxes[3] will be limited, over a multi-year period, by provisions that lower the "safe harbor threshold" for Affordable Care Act (ACA) Expansion States by 0.5 percent annually, phasing down from 6 percent to 3.5 percent. Currently, New York's provider tax rates are presently below 6 percent; therefore, the fiscal impact associated with this change is not anticipated until FY 2029.

The enacted bill removed a provision initially included in previous versions of the bill that would have penalized ACA Expansion States for covering certain immigrants in Medicaid and CHP by reducing the enhanced Federal match received for newly eligible adults.

**SNAP.** The administration of SNAP benefits and most associated costs are currently covered by local social service districts. The recent Federal law changes increase the state/local district administrative cost-sharing from 50 percent to 75 percent effective October 1, 2026. Based on existing law, the State estimates its share of the administrative costs would increase by $18 million in FY 2027 and $36 million in FY 2028 and each year thereafter. The balance of the increased costs would be borne by local governments, absent any law changes.

In addition, the law will introduce a new non-Federal share of benefits in the SNAP program, ranging from 0 percent to 15 percent of program costs effective October 1, 2027. The implementation of this new non-Federal share may be delayed by up to two years depending on the State's error rate in Federal Fiscal Years 2025 or 2026. Currently, Federal resources flow directly to the local service districts to fund the benefits of the SNAP program. The State does not currently make payments and does not have any existing appropriations to make payments for this purpose – all payments are the responsibility of local social service districts.

**Federal Tax Law Changes.** The bill permanently extends the current income tax rates originally enacted in 2017. The SALT deduction cap is temporarily increased from $10,000 to $40,000 for filers with incomes below $500,000, phasing out to $10,000 for filers with higher incomes. The higher SALT deduction cap will go into effect for tax year 2025 and will be adjusted for inflation through tax year 2029. The cap reverts to $10,000 in 2030.

Several other provisions will benefit filers in New York State including the deduction for seniors, the increase in the Child Tax Credit, and the deductibility of tip and overtime income. The Federal tax law changes are not expected to directly impact State revenues or the Financial Plan.

[3] Federal statute and regulations define a provider tax as a health care-related fee, assessment, or other mandatory payment for which at least 85 percent of the burden of the tax revenue falls on health care providers.

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