New York State Comptroller
THOMAS P. DiNAPOLI

Report on the State Fiscal Year 2026 Enacted Budget and First Quarterly Financial Plans

August 2025

Message from the Comptroller

August 2025

On June 13, 2025, the Division of the Budget (DOB) released the FY 2026 NYS Enacted Budget Financial Plan detailing the budgetary impact of changes adopted during budget negotiations and the economic and fiscal outlook for the next four years.

Shortly thereafter, on July 3, 2025, Congress passed a reconciliation bill, signed by the President on July 4, that will undoubtedly have an impact on New York's fiscal health. This reconciliation bill drives up federal deficits that our children and grandchildren will have to pay for, and pays for tax cuts for the wealthy and corporations by slashing our nation's safety net for the most vulnerable.

Even without accounting for federal cuts, the Financial Plan paints a challenging picture, indicating a softening economy and spending growth that have increased the State's budget gaps to a cumulative total of $34.3 billion for the Financial Plan period. When some of the enacted federal cuts to healthcare and nutritional assistance are added to the already-high outyear budget gaps, the State is facing gaps relative to spending projections that are comparable to those faced in April 2009 – when the State was reeling from the Global Financial Crisis. The recent release of the First Quarterly Update to the Financial Plan has reinforced these concerns.

Like other states, New York now faces a new crisis it has to overcome: the federal reconciliation bill is likely just the beginning of what is intended to be a fundamental restructuring of the relationship between the federal government and the states, and state governments will be challenged to navigate what could amount to drastic reductions in federal aid, forcing difficult decisions about State revenue and spending priorities and levels of service and benefits offered across all areas of the State budget.

Over the next few months, budget management must focus both on the current year and on the potential for drastic changes to the fiscal picture in the outyears. Policymakers need to start considering the consequences of the federal reconciliation bill and what can be done to support New York's safety net, stabilize the State's finances, and put the fiscal health of the State on a more sustainable, structurally balanced path.

These are going to be difficult times ahead, but New York has gone through difficult times before and, in many cases, has come out stronger. With careful consideration, prudent planning, and action, I am confident that we can overcome these challenges, just as we always have.

Thomas P. DiNapoli
State Comptroller

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Growing Budget Gaps and Structural Imbalance

According to the Division of the Budget's (DOB) FY 2026 NYS Enacted Budget Financial Plan (the "Financial Plan"), SFY 2026 All Funds disbursements are projected to total $254.4 billion, compared to $249.2 billion in All Funds receipts. On a year-over-year basis, All Funds disbursements are projected to grow by $12.9 billion (5.3 percent) while revenues are projected to increase by $241 million (0.1 percent). State Operating Funds (SOF) disbursements are projected to grow by $12.4 billion (9.3 percent) and General Fund disbursements by $16.8 billion (15.5 percent) in SFY 2026.

One reason for the high growth rate in General Fund disbursements in SFY 2026 is that the State appropriated up to $8 billion for the purpose of repaying the State's outstanding advance with the federal Unemployment Trust Fund.[1] The repayment is a transfer from the General Fund into the Unemployment Insurance Benefit Account (the "Account") and appears as an expense in the General Fund. DOB projected in the Financial Plan that a total of $7.2 billion would be transferred into the Account, with $7 billion used to repay the outstanding balance and an additional $200 million to pay the interest on the loan (in lieu of the interest payment costs being borne by businesses).[2] Absent these one-time repayments, General Fund year-over-year growth would total $9.6 billion (8.9 percent).

As shown in Figure 1, DOB projections indicate growth in disbursements will exceed growth in revenues over the course of the Financial Plan. SOF spending growth is estimated to be 13.9 percent over the Financial Plan period, outstripping projected SOF revenue growth of 4.6 percent.

Figure 1
Change in Financial Plan Disbursements and Receipts, SFY 2026 – SFY 2029
(dollars in millions)

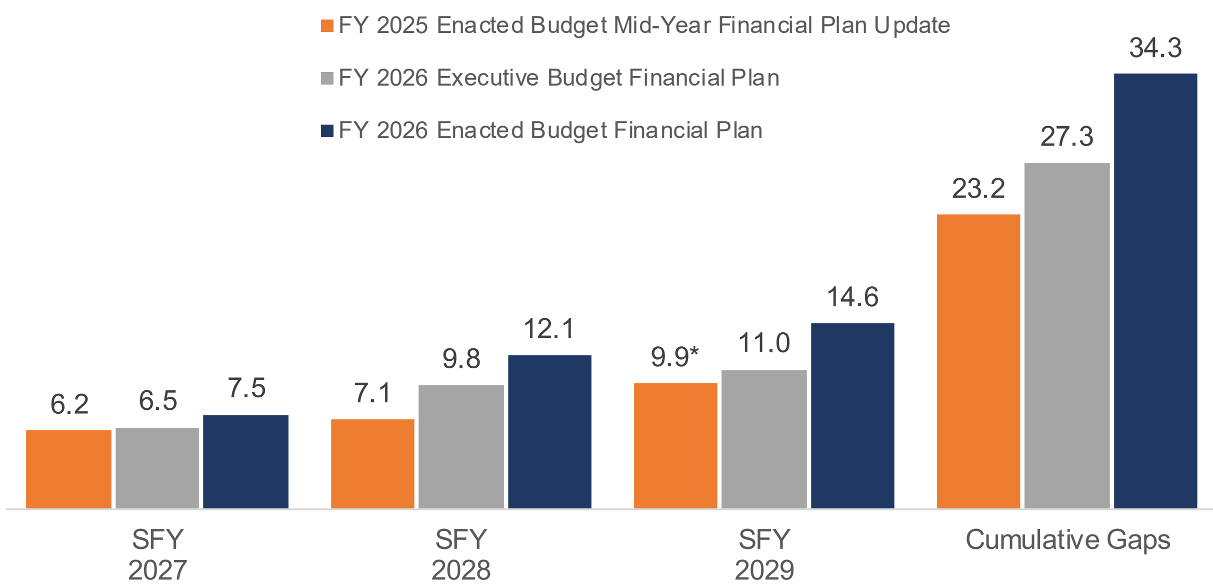
	SFY 2026 Projected	YOY Change	SFY 2027 Projected	SFY 2028 Projected	SFY 2029 Projected	SFY 2026 - SFY 2029 $ Change	% Change
General Fund Receipts	113,515	-4.8%	111,445	112,527	117,226	3,711	3.3%
General Fund Disbursements	125,512	15.5%	122,423	128,994	135,310	9,798	7.8%
SOF Receipts	142,650	-3.8%	143,288	143,695	149,268	6,618	4.6%
SOF Disbursements	146,103	9.3%	154,097	160,167	166,475	20,372	13.9%
All Funds Receipts	249,227	0.1%	252,457	249,813	256,394	7,167	2.9%
All Funds Disbursements	254,378	5.3%	263,894	267,580	274,908	20,530	8.1%

Source: Division of the Budget, FY 2026 Enacted Budget Financial Plan

Similarly, DOB's projected growth in General Fund disbursements over the Financial Plan (7.8 percent) is more than double the projected growth in General Fund receipts (3.3 percent); as a result, the Financial Plan indicates projected cumulative budget gaps will total $34.3 billion – an increase of $7.0 billion since the January release of the FY 2026 NYS Executive Budget

Financial Plan. These gaps represent approximately 8.9 percent of outyear General Fund spending.[3]

Figure 2
General Fund Budget Gaps Projected by Financial Plan, SFY 2027 – SFY 2029 (dollars in billions)



Note: The FY 2025 Enacted Budget Mid-Year Financial Plan Update did not include a budget gap for SFY 2029 due to the timing of when DOB makes initial estimates of outyear gaps. The $9.9 billion gap for SFY 2029 was initially reported in the FY 2026 Executive Budget Financial Plan. It is shown here as part of the FY 2025 Enacted Budget Mid-Year Financial Plan for comparison purposes only.

Source: Division of the Budget

The rise in projected budget gaps do not take into account any financial impact from the federal funding changes – signed into law by the President on July 4, 2025, subsequent to the release of the Financial Plan – and is instead attributable to (1) downward revisions to the economic forecast, and in turn, projected revenues; and (2) increases in projected spending. On July 25, 2025, DOB released the First Quarterly Update to the FY 2026 NYS Enacted Budget Financial Plan, which largely hewed to the Enacted Budget projections.[4]

Weaker Economic Forecast

The economic forecast published with the Financial Plan was revised downwards from the projections made with the Consensus Economic and Revenue Forecast Report ("Consensus") published on March 1. According to the U.S. Bureau of Economic Analysis, both the State and national economies contracted in the first quarter of 2025; real Gross Domestic Product (GDP) declined by 0.5 percent in the U.S. and by 0.7 percent in New York.[5]

Job gains have also slowed at both levels through May.[6] Employment nationally increased by an average of 124,000 jobs per month from January to May 2025 as compared to the monthly average of 180,000 jobs for the same period in 2024. For New York, average monthly employment growth was 4,600 jobs, down from 19,100 for the same period last year.

Based on these early results, DOB's forecast was revised to show lower national economic growth of 1.2 percent in 2025 and 1.3 percent in 2026, down from 2.2 percent and 2.0 percent forecast at Consensus. This would represent a considerable slowdown in 2025 after 2.8 percent growth in 2024. Similarly, the forecast for national employment growth was revised to be lower in both 2025 and 2026. At the same time, inflation, as measured by the change in the Consumer Price Index (CPI), is forecasted to be higher and to remain above 3.0 percent in 2025 and 2026, due, in part, to the impact of higher tariffs on consumer prices.

Figure 3
Forecasts of Select U.S. Economic Indicators, Annual Percentages

	Real GDP Growth		CPI Growth		Employment Growth		Unemployment Rate	
	2025	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**
Consensus	2.2	2.0	2.7	2.7	1.1	0.6	N/A	N/A
Enacted	**1.2**	**1.3**	**3.1**	**3.4**	**1.0**	**0.4**	**4.4**	**4.7**
Blue Chip	1.4	1.4	3.0	2.9	N/A	N/A	4.3	4.7
S&P Global	1.4	2.0	2.8	2.4	1.0	0.3	4.3	4.7

Sources: Division of the Budget; FY 2026 Consensus Economic and Revenue Forecast Report; June 2025 Blue Chip Economic Indicators; S&P Global June 2025 National Forecast

For the current fiscal year, DOB is projecting a weaker New York economy compared to Consensus. [7] (See Figure 4.) Both wages and personal income are forecasted to decelerate from their previous fiscal year levels, reflecting the impact of financial market volatility on unearned income and bonuses. In addition, employment growth is projected to slow significantly, revised downwards by half a percentage point from Consensus and by over a percentage point from SFY 2025.

Figure 4
Select New York Economic Indicators, Annual Percentage Change

	Personal Income		Wages		Employment	
	SFY 25	**SFY 26**	**SFY 25**	**SFY 26**	**SFY 25**	**SFY 26**
Consensus	5.3	4.2	5.8	4.1	1.4	0.8
Enacted	5.4	3.5	6.4	2.4	1.5	0.3

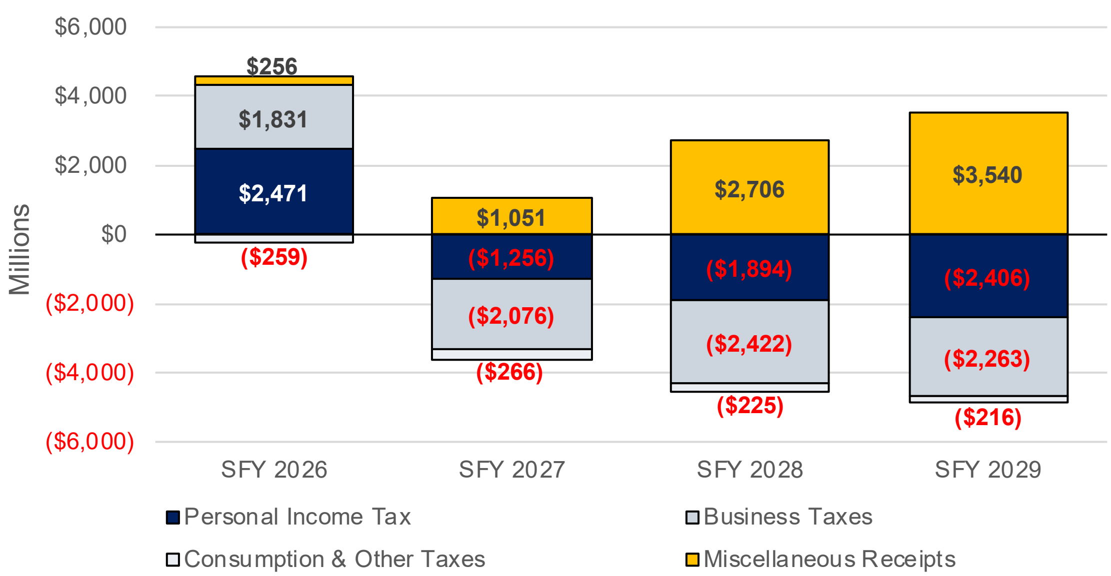
Sources: Division of the Budget; FY 2026 Consensus Economic and Revenue Forecast Report

Updated Revenue Projections

With economic growth forecasted to slow significantly, DOB has decreased its projection for All Funds taxes by a net of nearly $9 billion over the Financial Plan period. As shown in Figure 5, while tax collections for SFY 2026 are estimated to be $4.0 billion higher, those in the three subsequent years were revised lower by an average of $4.3 billion annually. Most of the decreases were in personal income and business taxes, and reflect the expectation of slowing employment, personal income and wage growth. The upward revision in the current fiscal year is primarily from higher projected personal income tax (PIT) and business tax collections, largely reflecting the strong economy last year realized through the filing of tax year 2024 annual returns.

Overall, the decline in tax receipts over the Financial Plan is partially offset by a $7.6 billion increase in miscellaneous receipts due to a projected increase in bond proceeds, resulting in a net total downward revision of $1.4 billion over the Financial Plan.

Figure 5
Revisions to Projected Tax Collections Between SFY 2026 Executive and Enacted Financial Plans, SFY 2026 – SFY 2029



Source: Division of the Budget

Spending Increases

As shown in Figure 6, DOB estimates that the Enacted Budget added a net $2.6 billion in General Fund spending additions and restorations in SFY 2026 relative to the Executive Budget proposal, with over $1.5 billion of that identified as non-recurring spending or as a restoration/modification and an additional $7.0 billion for the unemployment insurance loan repayment.[8] For the outyears, an average of approximately $1.0 billion is identified by DOB as either recurring spending or as restorations/modifications, which DOB notes included:

- New costs relating to correction officer staffing shortages, resulting from the strike in February and March 2025, including costs to assign National Guard members to correctional facilities;
- Recurring costs for School Aid funding, debt service costs, enhanced pension benefits, State costs relating to the increase in the Metropolitan Commuter Transportation Mobility Tax payroll tax increase, increased funding for access to housing, and certain inflationary increases.

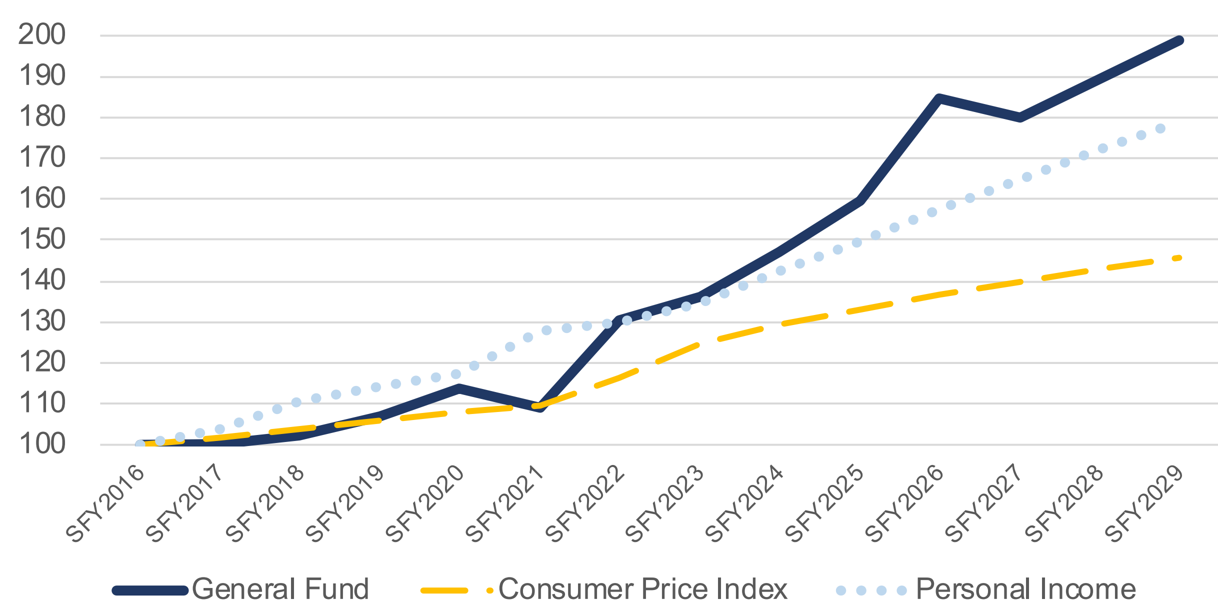
Figure 6
New General Fund Spending in the Enacted Budget, SFY 2026 – SFY 2029
(dollars in millions)

	SFY 2026 Projected	SFY 2027 Projected	SFY 2028 Projected	SFY 2029 Projected
Negotiated Changes	**(9,261)**	**(1,059)**	**(789)**	**(892)**
Spending Adds/Restorations	(2,571)	(1,154)	(896)	(998)
Recurring	(989)	(991)	(741)	(804)
Restorations/Modifications	(92)	(144)	(155)	(194)
Non-Recurring	(1,490)	(19)	0	0
Reduction to Executive Proposals	310	95	107	106
Unemployment Insurance Loan Repayment	(7,000)	0	0	0

Source: Division of the Budget

These changes are added to a spending base that had already grown steadily – and significantly – since the pandemic. Based on current figures in the Financial Plan, General Fund disbursements will have almost doubled between SFY 2016 and SFY 2029 if DOB's current projected spending holds. As shown in Figure 7, the growth in General Fund disbursements generally tracked inflation, as measured by the Consumer Price Index, between SFY 2016 and SFY 2021; since SFY 2021, General Fund disbursements have grown 69.4 percent (59.7 percent excluding the Unemployment Insurance repayment) through SFY 2026 projections – almost three times the rate of inflation (24.7 percent) and almost three times the growth in personal income during that same period (23.5 percent).

Figure 7
Growth in General Fund Spending, Inflation and Personal Income, SFY 2016 – SFY 2029
(SFY 2016 = 100)



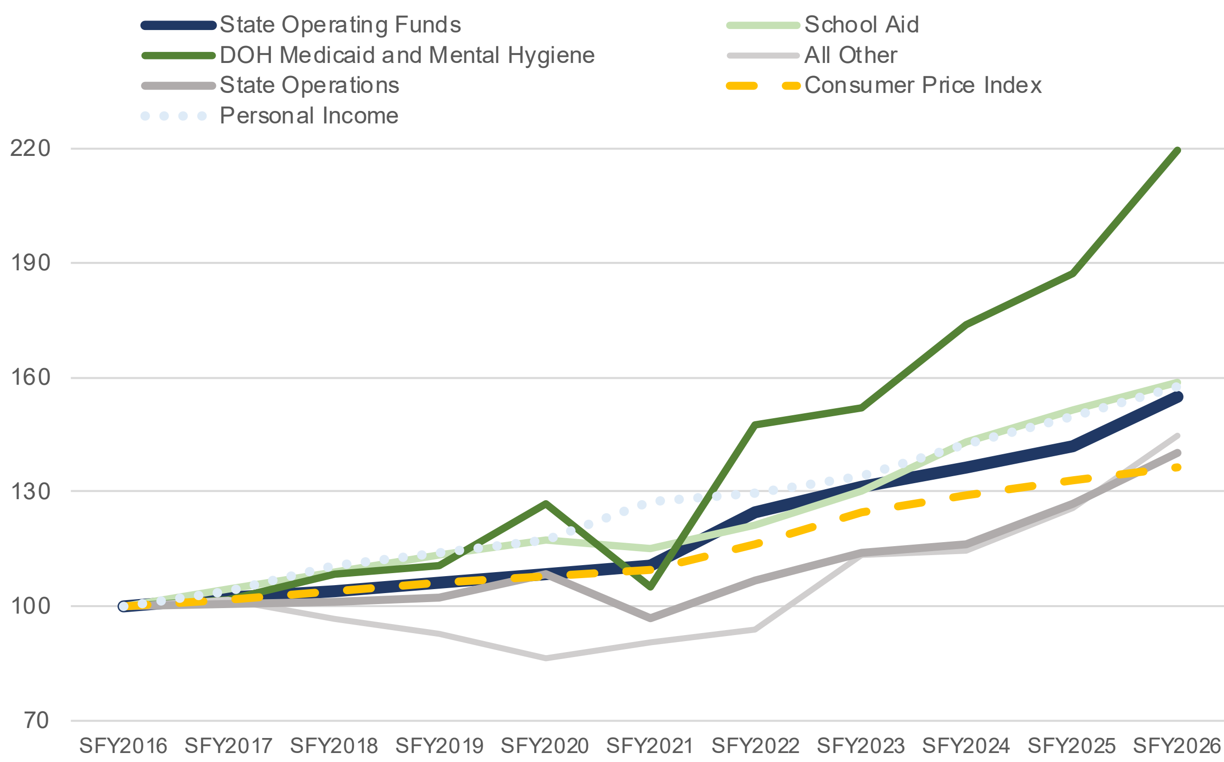
Note: Data for the Consumer Price Index and Personal Income for SFY 2026 through SFY 2029 are projections made by S&P Global.

Source: Division of the Budget, S&P Global; Office of the State Comptroller analysis

As described in previous reports by the Office of the State Comptroller, high spending growth in School Aid and Medicaid, the "Big 2," has driven overall spending growth.[9] These two categories of spending are projected by DOB to surpass 50 percent of General Fund disbursements in SFY 2027. In addition to being the largest areas of spending, they have also grown the fastest, as shown in Figure 8, which presents SOF spending growth, a more comprehensive picture of State spending than General Fund. (SOF spending includes the General Fund, State Special Revenue Funds, and Debt Service Funds.)[10]

Between SFY 2016 and SFY 2026, SOF spending is projected to grow 55.0 percent; DOH Medicaid and Mental Hygiene spending is projected to grow nearly 120 percent and School Aid 58.7 percent. In contrast, State operations spending is projected to grow just over 40 percent over this period, above inflation (36.5 percent growth) and slightly under personal income growth (57.6 percent).

Figure 8
SOF Growth by Spending Category, Inflation and Personal Income, SFY 2016 – SFY 2026 (SFY 2016 = 100)



Note: DOH Medicaid and Mental Hygiene is a combined category which includes spending identified by DOB as "Other" spending within certain Mental Hygiene agencies, as indicated by DOB in the Financial Plan Tables (Cash Disbursements by Function). The cash values identified in such Financial Plan Tables correspond with the values DOB includes under Other State Agency spending in their discussion of State-Share Medicaid Disbursements. For this figure, only the State Operating Funds (SOF) local assistance cash amounts were used for DOH Medicaid and Mental Hygiene, School Aid, and All Other because the SOF State Operations spending was separately identified.

Source: Division of the Budget; OSC analysis.

SOF School Aid is projected to total almost $37.0 billion in SFY 2026, an increase of 4.8 percent from SFY 2025. The Enacted Budget included several notable changes to the Foundation Aid formula, discussed in the Comptroller's report on the Enacted Budget.

State spending on Medicaid is projected to total $44.7 billion in SFY 2026. On an All Funds basis, DOB projects Medicaid spending will total almost $112.2 billion in SFY 2026, which would represent 44.1 percent of projected All Funds disbursements for the year. When including spending on the Essential Plan, which is projected to be $13.7 billion in SFY 2026, spending on these two healthcare programs could comprise almost 50 percent of All Funds disbursements.

The Comptroller's report on the SFY 2026 Executive Budget indicated that various budgetary maneuvers and added resources have been utilized to stay within the Global Cap in recent years; the Global Cap ("Cap") was enacted as a measure to control Medicaid spending. For SFY 2026, the Enacted Budget Medicaid Scorecard indicates that the following actions were taken to remain within the Cap:

- Reallocating $2.1 billion of other State agency (OSA) Medicaid costs from the Global Cap calculation.
- Using almost $1.5 billion of revenues from the Managed Care Organization (MCO) tax – which is at risk from recent federal statutory changes[11] and proposed regulatory changes[12] – to support spending that would otherwise be under the Global Cap.
- Using $529.9 million in Financial Plan support for restorations and adds.[13]

DOB indicates that the shift of OSA Medicaid costs will "avoid adverse impacts on the healthcare industry [and] more accurately reflect DOH Medicaid spending."[14] When the Global Cap is breached, the Department of Health (DOH) and DOB are authorized to develop and implement Medicaid Savings Allocations Plans, which could include reducing or stopping certain reimbursements and/or by modifying benefits. While the SFY 2026 Enacted Budget realizes $139 million in savings under the Global Cap, budgetary maneuvers totaling over $4 billion were used to further increase spending. Also, at the close of SFY 2025, State-share payments to Medicaid providers totaling $1.4 billion were deferred into SFY 2026, a practice that has become an annual recurrence. None of this increased spending takes into account the projected $750 million in new SFY 2026 Medicaid costs[15] the Executive has estimated as a result of the federal reconciliation bill.

Economics and Revenue

Revenue Growth Mixed Over the Financial Plan Period

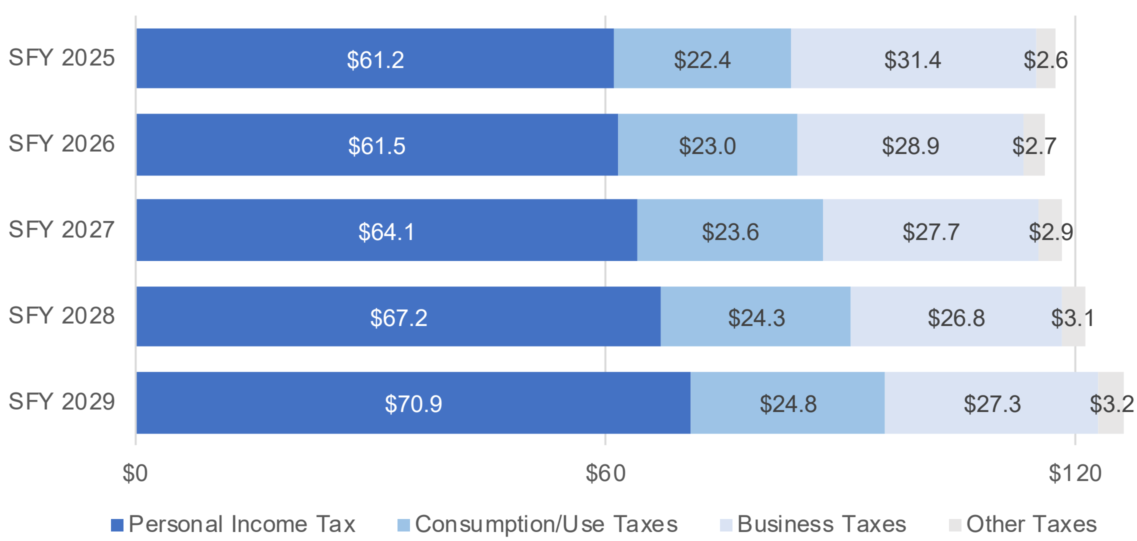
Total All Funds revenues are projected by DOB to increase by $7.4 billion (3 percent) from SFY 2025 to SFY 2029; in comparison, the forecast for inflation over this same period is 9.6 percent.[16] By category of revenue, growth in taxes and miscellaneous receipts over this time period is estimated at 7.5 percent and 5.8 percent, respectively, while federal receipts are projected to decline by 3.5 percent. Federal aid projections do not take into account changes enacted under the federal reconciliation bill.

Economic Projections and Temporary Provisions Affect Tax Collection Trends

Total All Funds tax collections for the current fiscal year are projected by DOB to decrease by $1.4 billion (1.2 percent) to $116.1 billion from SFY 2025 but increase by an aggregate of $10.2 billion (8.7 percent) over the remainder of the Financial Plan period. The projected revenues reflect the slower forecasted economic growth, as well as changes to the Tax Law that were enacted as part of the Budget. However, as shown in Figure 9, growth varies by revenue source.

From SFY 2026 to SFY 2029, average annual growth rates among the tax categories range from a low of a 3.4 percent decrease in business taxes to a high of a 5.9 percent increase in other taxes (which includes collections from estate taxes and real estate transfer taxes). Personal income tax revenues are projected to increase by 3.8 percent annually while those from consumption and use taxes are projected to increase by 2.7 percent annually.

Figure 9
All Funds Tax Revenues, SFY 2025 – SFY 2029
(in billions)

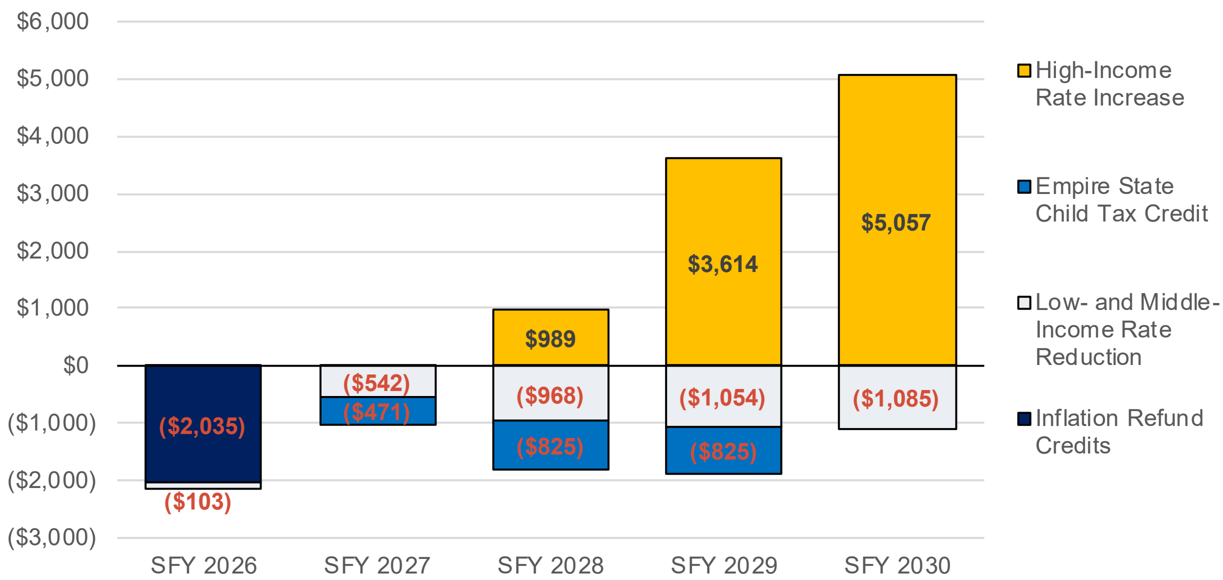


Note: SFY 2025 collections are unaudited actuals; the remaining fiscal years are DOB projections

Source: Division of the Budget

The Enacted Budget included provisions impacting tax revenues, the largest of which affect the PIT and are mostly temporary. The one-time Inflation Refund Credits are estimated to reduce collections by just over $2 billion in SFY 2026 whereas the increased Empire State Child Tax Credit is effective for three years. While the 20-basis point rate reduction for low- and middle-income PIT filers is permanent, the Enacted Budget extended the increased tax rates on high-income filers which were due to expire at the end of tax year 2027 by five more years through tax year 2032.

Figure 10
Impact of Enacted Budget Provisions on PIT Collections, SFY 2026 – SFY 2030
(in millions)



Source: Division of the Budget

Despite the impact of the Inflation Refund Credits and the projected slowdown in both employment and wage growth, PIT receipts in SFY 2026 are estimated to increase slightly, by 0.5 percent over the previous fiscal year.[17] This is due, in part, to collections in the first two months being 21.2 percent higher primarily as a result of payments made with the filing of tax year 2024 annual returns (See the Comptroller's report on the SFY 2026 Enacted Budget).

The strong economy in 2024 also impacts corporate franchise tax collections. Due to the method by which the first quarterly estimated payment is calculated, the estimated payments made in March 2026 will be based on the 7.9 percent increase in corporate profits last year.[18]

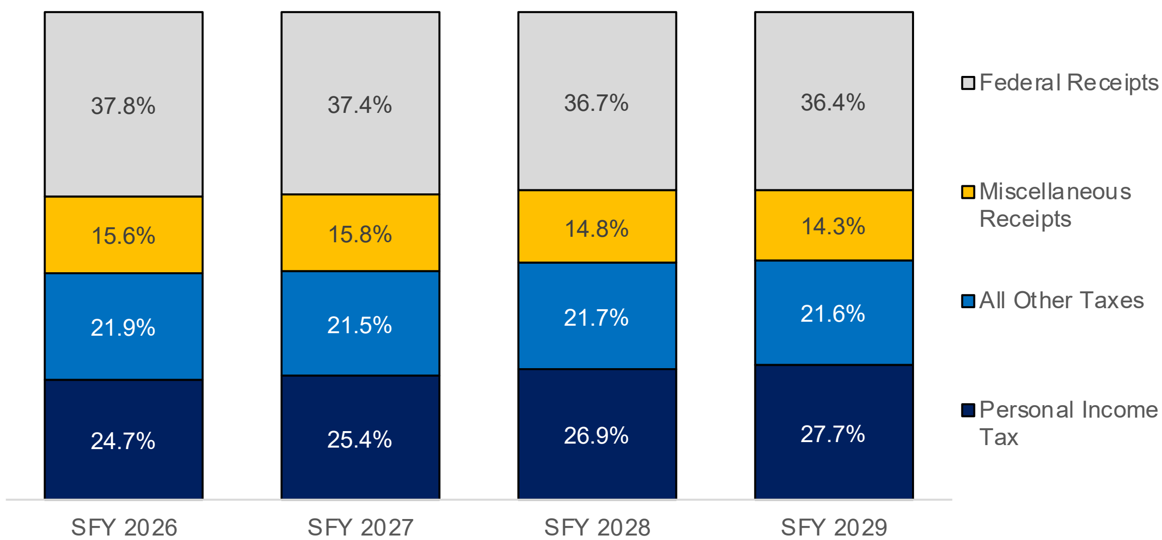
However, over much of the Financial Plan period, DOB projects total business taxes to decline. Lower corporate profits in the first quarter of the year as well as the projected economic slowdown contribute to the lower forecasted collections. In addition, corporate franchise tax receipts are forecasted to decline as a result of the expiration at the end of 2026 of the temporary higher tax rate on businesses with incomes over $5 million, as well as the sunset of the capital base tax.

In addition, DOB forecasts a decline in Pass-Through Entity Tax (PTET) receipts; most notably, a decrease of $2.3 billion (13.5 percent) in SFY 2026 followed by a decline of $854 million (5.6 percent) in SFY 2027. As with corporate franchise tax collections, PTET revenue growth will be adversely affected by a slower economy. However, the lack of transparency provided in terms of the number and types of businesses opting into the PTET, annual PTET liability, the interaction with the PIT, and revenue neutrality does not allow for adequate analysis at this time.

Reliance on Tax Collections May Grow

Federal receipts are projected to decline by $2.6 billion in SFY 2026, largely due to waning federal pandemic relief funds. In subsequent years, federal aid changes vary; DOB explains those changes reflect the typical revisions to projected federal spending. Spending reductions recently enacted for federal fiscal year (FFY) 2025 and currently being negotiated for FFY 2026 in Congress are not included in DOB's projections.

Figure 11
Distribution of All Funds Revenues by Source, SFY 2026 — SFY 2029



Source: NYS Division of Budget

Based on these estimates, the Financial Plan is projected to become more reliant on tax revenues; by SFY 2029, tax collections are projected to account for nearly half of total revenues. Of the State's individual tax sources, over 50 percent are from the PIT; when combined with the PTET, those two taxes comprise over 2 of every 3 of New York's tax dollars.[19] One reason for this is the Enacted Budget extended the increased PIT rates on high income filers until 2032, producing substantial increases in projected revenue shown in Figure 10. Yet projected budget gaps grew wider even with the recognition of these additional resources in the Financial Plan. Reductions to federal receipts by changes made in Washington will make the State more reliant on State sources.

Impact of Federal Reconciliation Bill

Major Provisions Impacting the State's Finances

The Financial Plan projects $94.1 billion of federal funding in SFY 2026. While the Financial Plan included a discussion of risks from the federal reconciliation bill (H.R.1) under consideration at the time the Financial Plan was released, the estimates of receipts and disbursements did not make any adjustments for these possible impacts. The President signed an amended version of the bill on July 4th (Public Law 119-21).

Public Law 119-21 enacts substantial changes to federal tax policy, federal spending, and the eligibility for and the financing of critical safety net programs, as well as raising the federal debt ceiling by $4 trillion dollars. The Congressional Budget Office estimates that the law will increase deficits by $4.1 trillion between FFY 2025 and FFY 2034.[20]

The law made permanent many personal income tax provisions included in the Tax Cuts and Jobs Act of 2017 (TCJA) that were due to sunset at the end of the year, and enhanced some of those provisions while also enacting new ones. According to the Joint Committee on Taxation, these provisions are estimated to reduce federal tax revenues by $131.4 million in FFY 2025 and by $5.1 trillion over the next ten years.[21]

The costs to the federal government from the tax provisions in the bill are partially offset by deep cuts to federal funding and changes to eligibility for safety net programs, which will have major impacts on the Financial Plan and on New Yorkers. These costs are particularly stark and apparent when it comes to healthcare. The Congressional Budget Office (CBO) estimated that 10.9 million people nationally would lose their health insurance, and an additional 5.1 million would lose insurance due to the expiration of premium tax credits and additional rules being instituted for the Affordable Care Act (ACA) marketplace.[22] For New York, the Department of Health (DOH) estimated that 1.5 million New Yorkers would become uninsured.[23]

The Executive estimates an impact on the State of approximately $13 billion a year, including increased administrative costs and funding losses, with an additional $8 billion in annual cuts to New York's health system.[24] The State has a small runway to adapt to this new reality; while implementation of several of the Medicaid provisions begins in SFY 2027, key changes to the Essential Plan are effective on January 1, 2026. On July 17, 2025, the Executive announced an expected impact of $750 million in SFY 2026 and $3 billion in SFY 2027, mostly due to changes to the Essential Plan. In addition, the Budget Director stated the State now expects one year of revenues from the Managed Care Organization Tax, not two, as reflected in the Enacted Budget Financial Plan.[25] These costs will increase an already substantial budget gap for SFY 2027. Major provisions of healthcare changes are summarized in the Appendix.

In addition to these healthcare changes, cuts to the Supplemental Nutrition Assistance Program (SNAP) will have a financial impact on the State and local governments, and will create barriers for individuals who depend on the program. In January 2025, nearly 3 million New Yorkers were enrolled in SNAP. Enhanced work requirements could lead to an estimated 298,000 people in New York losing some or all SNAP benefits.[26]

New SNAP cost-sharing requirements for states would also be imposed. Beginning in FFY 2027, a state's share of SNAP administrative costs will increase from 50 to 75 percent. For New York, this would mean an estimated $36 million increase in State costs, with $168 million in increased costs for counties and New York City. More significantly, the bill requires state matching funds for benefits on a sliding scale based on state payment error rates. New York's most recent error rate is greater than the national average, which would require the State to pay for 15 percent of the benefit cost, beginning in FFY 2028. The enacted bill included provisions that delay the implementation date for up to two years for states with error rates above approximately 13.34 percent. The Executive estimates the total impact would be $1.4 billion annually when implemented. These changes, combined with changes to the calculation that determines SNAP benefits, will likely increase food insecurity in New York.

The State will also contend with changes made to terminate funding for climate, clean energy and resiliency programs, many of which were approved under the Inflation Reduction Act. These changes will slow the transition to clean energy and make it more costly for consumers and small businesses.

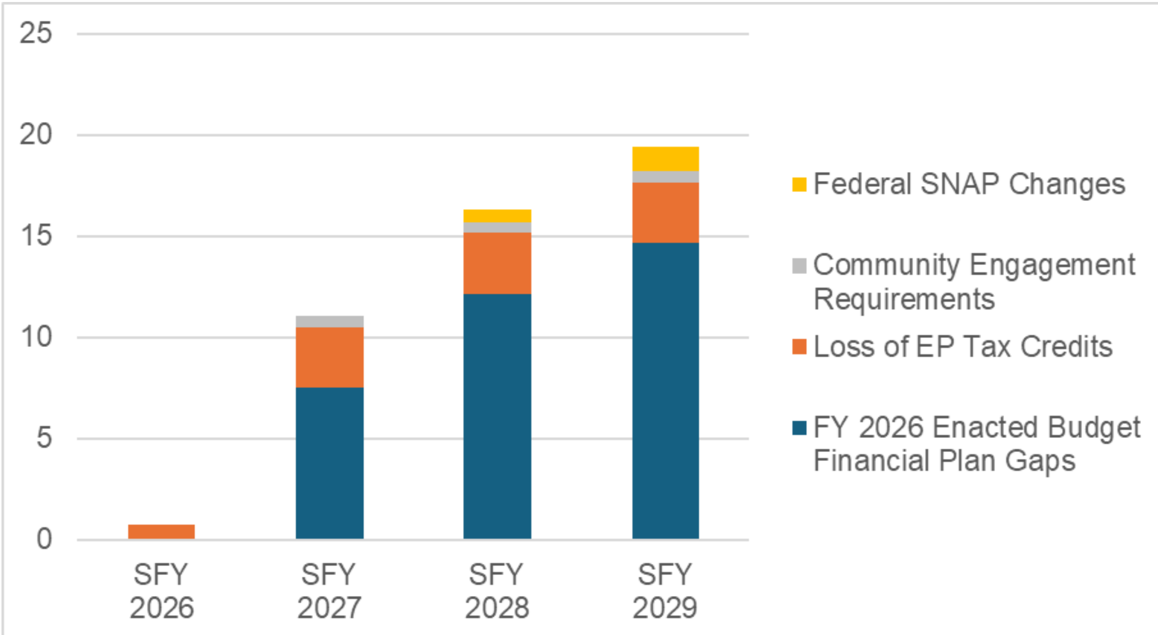
It is important to note that additional financial impacts are likely to be realized during the Financial Plan from other federal actions. Federal appropriation bills for other areas of the FFY 2026 budget are currently working their way through the House and Senate and will likely affect areas such as education, housing and infrastructure. The Presidential Administration has also taken administrative actions to freeze, withhold or terminate previously authorized funds, including recently delaying Federal Emergency Management Agency (FEMA) Homeland Security Grant Program funds.[27] Congress also approved a Presidential request to rescind $9.0 billion in funding, mostly for foreign aid and public broadcasting. All of these actions create additional uncertainty for the State's Financial Plan.

DOB's release of the First Quarterly Update to the Financial Plan indicates future costs from Public Law 119-21 of $3 to $5 billion for State and local governments, "absent any programmatic, service, coverage, or funding modifications that may be necessary."[28] Most State costs resulting from the law are due to changes relating to Medicaid and the Essential Plan, including a projected cost of $750 million in SFY 2026 and then $3.0 to $3.4 billion in the outyears. For SNAP, the First Quarterly Update does not distinguish between newly imposed State and local costs resulting from the federal reconciliation bill, but indicates that "most associated costs are currently covered by local social service districts."[29]

Estimated Impact on Budget Gaps

Figure 12 estimates what new costs reported by the Executive for healthcare and SNAP changes would add to the General Fund gaps in the Financial Plan.[30] With the inclusion of these additional cuts, the outyear budget gaps would total $46.7 billion. As a share of General Fund spending, this would equal 12.1 percent,[31] which is close to the 12.4 percent reflected in the SFY 2010 Enacted Budget Financial Plan released on April 28, 2009 – as New York and the U.S. were amid the Global Financial Crisis.[32]

Figure 12
Estimated General Fund Budget Gaps with Projected Federal Cuts, SFY 2026 – SFY 2029
(dollars in billions)



Note: Figure assumes most costs will be borne by the State and assigns some SNAP costs to localities. Any changes that would affect the State's planned receipt of Managed Care Organization (MCO) tax revenues, including $3.3 billion in SFY 2026 and $2.6 billion in SFY 2027, are not included; the State plans on using those revenues to support healthcare spending in SFYs 2026 through SFY 2028. SNAP stands for the Supplemental Nutrition Assistance Program. EP stands for the Essential Plan.

Source: Division of the Budget; OSC analysis

Reserve Funds

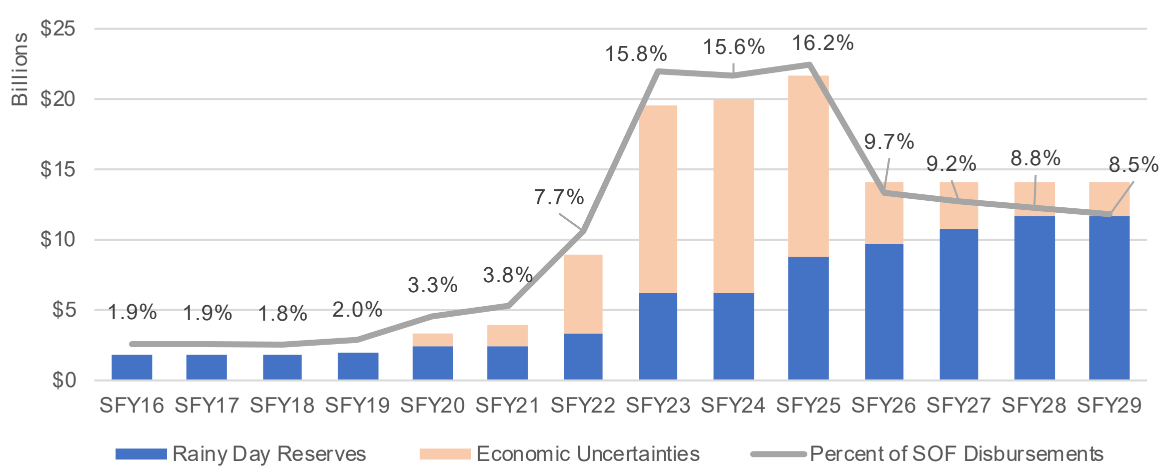
The Office of the State Comptroller has long advocated for increasing the State's rainy day reserve funds, which require conditions on use and repayment.[33] The rainy day reserve funds (comprised of the Tax Stabilization and Rainy Day Reserve Funds) are statutory funds with specific requirements governing withdrawals and repayments. A key difference between these statutory funds and informal fund balances designated as reserves is that informal reserves can be used for any purpose at any time and there are no repayment requirements.

Over the past several years, the State has achieved historically high reserve levels – both in the formal statutory rainy day reserves, as well as in an informal reserve that DOB indicates is for "economic uncertainties," which, together, are referred to by DOB as "principal reserves." At the close of SFY 2025, the combined amount in principal reserves totaled $21.6 billion, which represented 16.2 percent of State Operating Fund disbursements.

However, the Financial Plan indicates that the State's principal reserve levels will decrease by $7.5 billion (34.7 percent) to $14.1 billion in SFY 2026 and remain at that level throughout the Financial Plan period, with the only change being shifts from the "economic uncertainties" informal reserve into the Rainy Day Reserve Fund – as shown in Figure 13. No increases in principal reserves are planned for the Financial Plan period. Accordingly, the percentage of principal reserves relative to projected SOF disbursements decreases from a high of 16.2 percent in SFY 2025 to 8.5 percent in SFY 2029, which is less than the 15 percent benchmark of principal reserves relative to SOF disbursements identified by DOB.[34]

If continued deposits are made as currently projected in the Financial Plan, the statutory rainy day reserve funds would total $11.6 billion by SFY 2029 – approximately 7 percent of SOF spending. Pursuant to a statutory change made in the SFY 2024 Enacted Budget, the Rainy Day Reserve Fund can have up to 25 percent of projected General Fund disbursements as a cap, which would be equivalent to $31.4 billion.[35]

Figure 13
Principal Reserves as a Percent of SOF Disbursements, SFY 2016 – SFY 2029



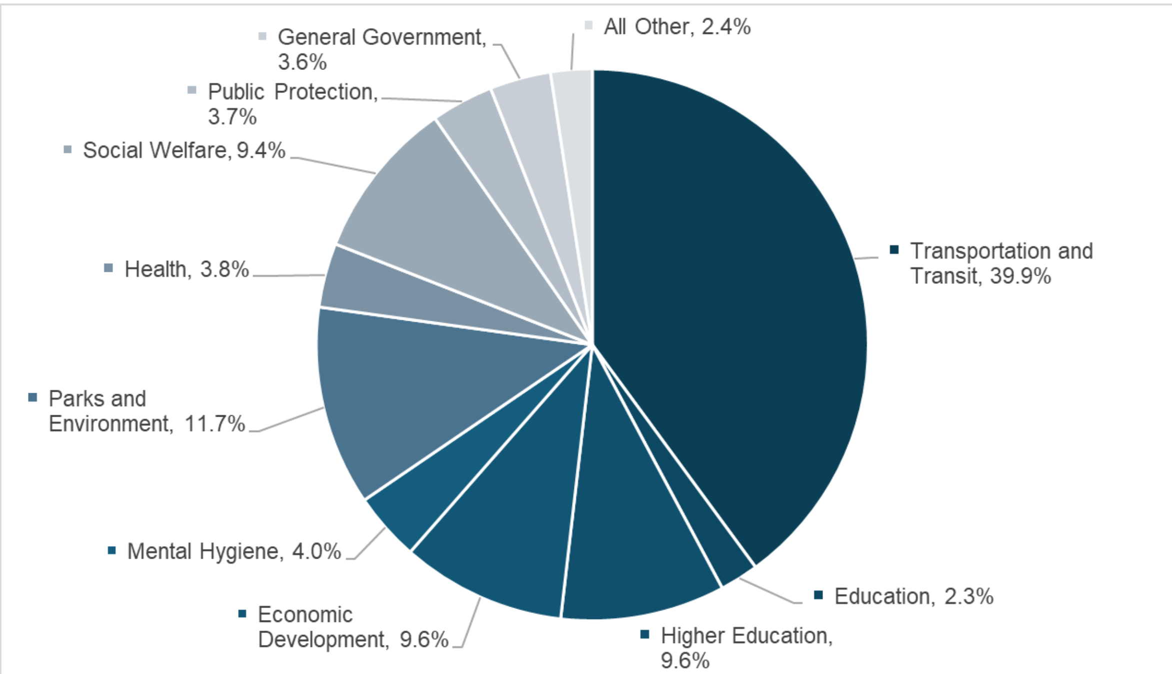
Source: New York State Division of the Budget; Office of the State Comptroller analysis.

Capital Plan and State Debt

SFY 2025-26 Capital Plan

DOB annually releases two capital plans, the first with the release of the Executive Budget proposal and the second following the Enacted Budget. Capital spending can be planned as part of a multi-year capital plan, such as the five-year plan for transportation, or be dedicated to specific priorities and initiatives, such as those identified under the Smart Schools Bond Act or the Clean Water, Clean Air, and Green Jobs Bond Act. Other spending is for new investments, replacement of obsolete assets, or routine maintenance. Figure 14 shows the functional areas identified by DOB for projected capital spending in SFY 2026 totaling $21.4 billion.[36]

Figure 14
Projected SFY 2026 Capital Spending by Function



Note: Transportation and Transit spending includes the State's contribution to the MTA's multi-year capital plans. All Other includes spending for Statewide elected offices, equipment, and grants for local and community projects. A spending adjustment of -$2 billion is not included, which DOB indicates is to account for likely under-spending to occur due to timing variances.

Source: Division of the Budget

Over the last decade the level of capital spending has increased significantly, growing from a total of $56.8 billion in the SFY 2016-2020 period to $73.0 billion in the SFY 2021-2025 period, an increase of 28.5 percent. In the coming five-year period, capital spending is currently projected to grow further to $101.5 billion, which would be an increase of 39 percent.[37]

As shown in Figure 15, Transportation and Transit has consistently been the largest area of expenditure. Two growing categories as a share of spending are Parks and Environment as well as Social Welfare, which reflect recent priorities for increased investments in clean water and other environmental purposes as well as affordable and supportive housing, respectively.

Figure 15
Capital Spending by Function, by Five-Year Period
(dollars in millions)

	SFYs 2016-2020		SFYs 2021-2025		SFYs 2026-2030	
	Dollars	**Share**	**Dollars**	**Share**	**Dollars**	**Share**
Transportation and Transit	25,353	45%	34,602	47%	45,216	41%
Education	592	1%	1,236	2%	1,643	1%
Higher Education	6,732	12%	6,789	9%	11,716	11%
Econ. Development & Govt. Oversight	5,400	10%	5,503	8%	10,295	9%
Mental Hygiene	2,781	5%	2,562	4%	4,832	4%
Parks and Environment	4,181	7%	6,992	10%	12,763	11%
Health	1,347	2%	2,985	4%	4,784	4%
Social Welfare	1,624	3%	4,914	7%	9,300	8%
Public Protection	2,663	5%	3,452	5%	3,413	3%
General Government	1,128	2%	1,959	3%	3,228	3%
All Other & Off-Budget	5,035	9%	2,041	3%	4,341	4%
Total	**56,836**	**100%**	**73,036**	**100%**	**111,531**	**100%**
SFYs 2026-30 Spending Adjustment					(10,000)	
Total with Spending Adjustment	**56,836**		**73,036**		**101,531**	

Note: Off-Budget spending is capital spending that occurs directly from bond proceeds held at public authorities. All Other includes spending for Statewide elected offices, equipment, and grants for local and community projects. For SFYs 2026 through 2030, DOB includes a spending offset of $10 billion that accounts for potential under-spending projected to occur as a result of normal timing related to the delivery of capital projects.

Source: Division of the Budget

Some of the larger areas of spending in the FY 2026 NYS Enacted Budget Five-Year Capital Program and Financing Plan ("Capital Plan") include:

- Continuation of the State's Five-Year Department of Transportation Capital Plan, which includes approximately $7 billion for the fourth year of the Plan.
- Funding for the MTA's 2025-29 Capital Plan, which is a combined total projected capital spend of $68.4 billion, including $4.2 billion in State contributions. The State will also be providing $3.1 billion to the MTA's 2020-2024 Capital Plan.
- $2.7 billion in new capital funding for the State University of New York (SUNY) and the City University of New York, including $1 billion for SUNY hospitals.
- $1.7 billion for the Fire Island to Montauk Point renourishment program to reduce risks associated with storm damage on Long Island.
- Continuing support for the State's Five-Year Housing Plan, including an additional $1 billion State contribution to New York City's "City of Yes" housing initiative and $500 million for additional affordable and supportive housing.

- Up to $1 billion for capital improvements to the State's Safety Net Transformation Program to support improvements made to safety net hospitals.
- $1 billion for climate change mitigation and adaptation.
- An additional $500 million, for a combined $6 billion, for improvements to the State's clean water infrastructure, including municipal drinking water systems, filtration systems, and wastewater treatment facilities.

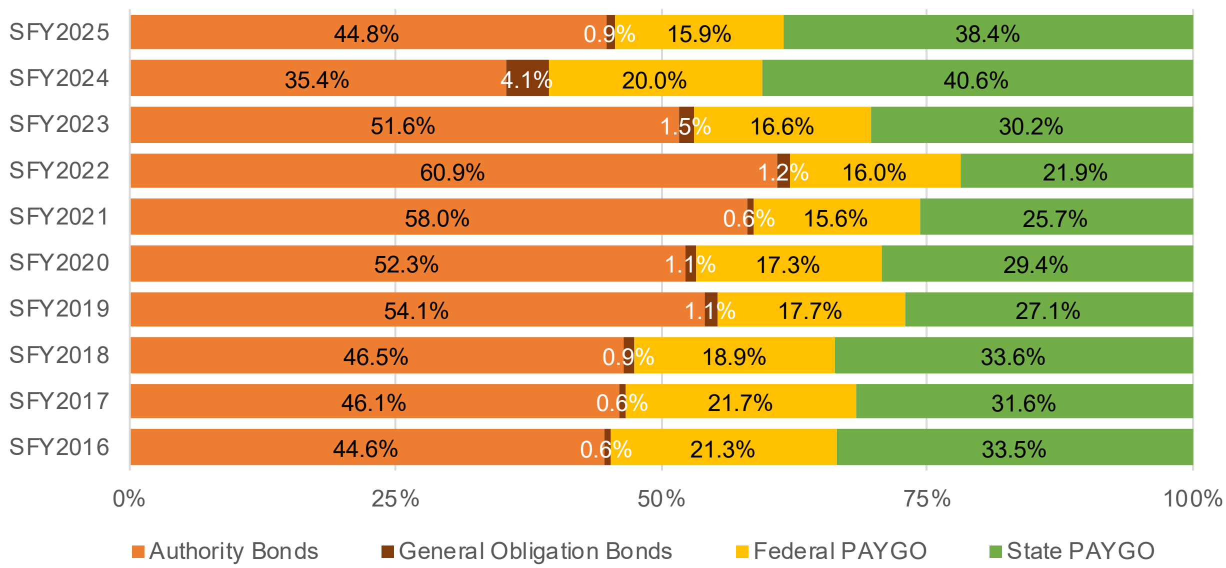
Capital Plan Financing

Since capital projects typically occur over a longer period and are often intended to be assets with long lives, capital spending can be funded through bonds or the use of hard dollar (cash) resources. Using currently available resources is referred to as "Pay As You Go," or "PAYGO", and both the State and federal government provide such resources. Capital projects are also financed through the issuance of bonds, including both voter-approved General Obligation ("GO") bonds backed with the full faith and credit of the State, or "backdoor borrowing" issued through a public authority ("Authority Bonds") and repaid by the State, subject to appropriation.

The sources of capital spending vary by year, depending on capital purpose spending patterns, the economic climate, debt burdens, and the availability of resources to fund such purposes. For example, during recessionary periods, such as in the aftermath of the Great Recession and during the COVID-19 pandemic, use of State PAYGO declined, and authority bond financings increased. This partly reflects managing State cash needs during periods of short-term economic hardship. On the other hand, when the State has had additional cash resources in stronger economic times, the use of State PAYGO has been higher.

Figure 16 shows how State PAYGO went from 29.4 percent of capital disbursements in SFY 2020 to 21.9 percent in SFY 2022, while Authority bond use increased from 52.3 percent to 60.9 percent over the same period, which was a time of economic uncertainty due to the COVID-19 pandemic. Since then, use of State PAYGO has averaged 36.4 percent facilitated by increased State cash resources.

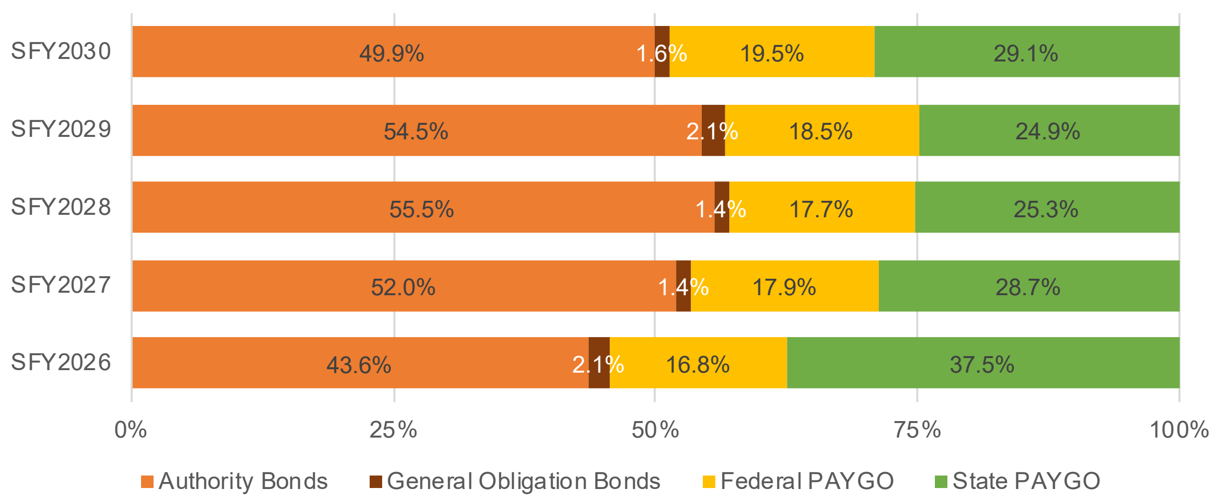
Figure 16
Financing Sources for Capital Disbursements, SFY 2016 – SFY 2025



Source: Division of the Budget

Over the course of the five-year Capital Plan, the average projected use of State PAYGO is 29.1 percent, slightly lower than the 31.2 percent average over the past 10 years, while the average projected use of authority bonds slightly increases to 51.1 percent from 49.4 percent over the past 10 years. General Obligations bonds are projected to grow to an average of 1.7 percent, from 1.3 percent, primarily due to increased utilization of the 2022 Clean Water, Clean Air, and Green Jobs Bond Act.

Figure 17
Five-Year Capital Plan Projected Financing Sources, SFY 2026 – SFY 2030

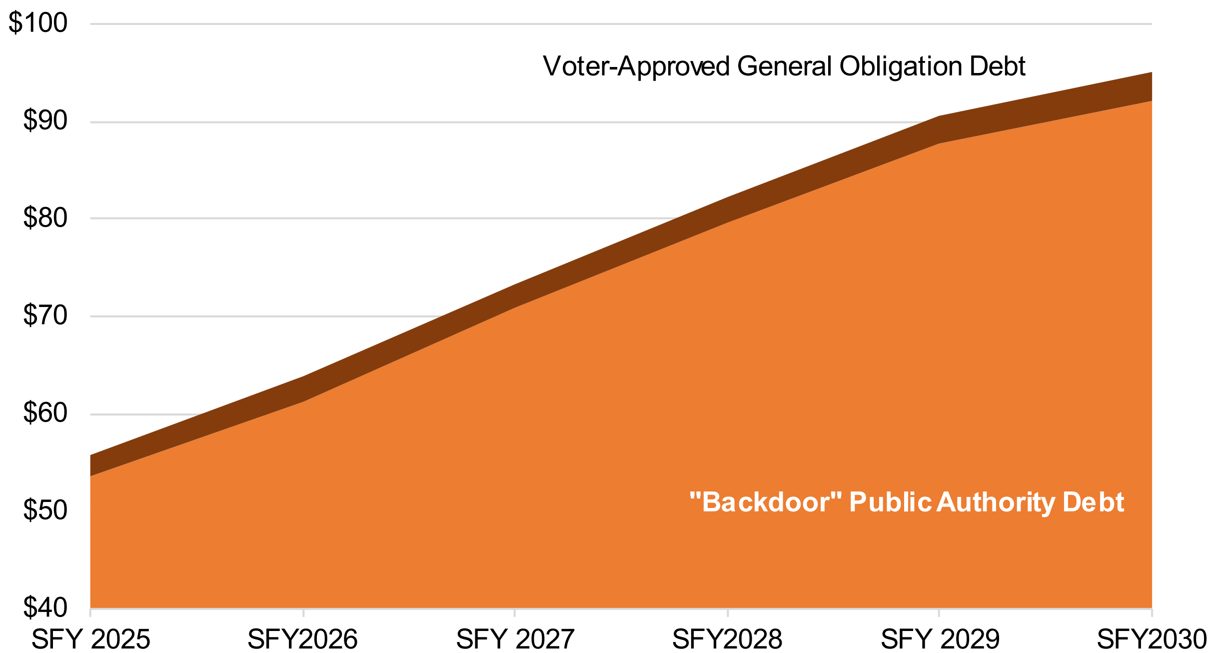


Source: Division of the Budget

State Debt Burden

New York's use of debt to finance its essential capital needs is appropriate, but its overreliance on bonds, in particular, backdoor borrowing through public authorities, has led to one of the highest debt burdens in the nation.[38] As displayed in Figure 18, total State-supported debt outstanding is projected to grow over 70 percent during the next five years, from $55.9 to $95.1 billion. As a result, the State is projected to near its debt limit, with room under the State's debt cap projected to decline to just $503 million by SFY 2030. Approaching the debt cap would mean that future projects might have to be delayed and it will be more difficult for the State to both keep existing infrastructure in a state of good repair and make infrastructure investments to move the State forward.

Figure 18
State-Supported Debt Outstanding
(dollars in billions)



Note: SFY 2025 figures are not actual, audited results.

Source: Division of the Budget; OSC analysis

Uncertainty and Upcoming Challenges

It has become clear that the fiscal relationship between the federal government and New York State is in a period of significant change that is producing unprecedented uncertainty and strain on State government. While the full extent of these changes is not yet evident and is likely to be far-reaching, the initial impacts have resulted in freezes or terminations of a variety of grants and statutory changes that significantly alter the provision and funding of healthcare and social safety net programs. In New York, these changes are forecast to cost the Financial Plan and the State's health system billions of dollars, and are expected to result in the loss of benefits for many New Yorkers. Policymakers must contend not just with the immediate fiscal costs, but with a significantly altered fiscal landscape and a significantly weakened safety net.

Early impacts of the federal reconciliation bill indicate a range of lost federal receipts of between $27.0 billion and $29.6 billion over the Financial Plan period,[39] but this may be only the starting point for reductions in federal aid. Congress is working on the remaining federal appropriations bills for FFY 2026, which may result in further cuts or unfavorable restructurings of aid. Furthermore, states face an additional risk after the bills are enacted; additional freezes, rescissions or impoundments of aid may also occur.[40] State financial management will be severely challenged in such an environment.

Many federal receipts are recurring and tied to spending on federally authorized programs. As a result, declines in federal receipts, resulting from cuts, changes, or elimination of specific programs, may not necessarily lead to widening budget gaps, but would have a service impact. The State would be faced with tough choices about reducing eligibility, consolidating service capacity or cutting programs entirely; using State resources to provide some parts of those services; or some combination of the two. These choices will have to be made scrupulously; the State does not have the capacity to make up for all lost federal aid.

The proposed federal changes are not only reducing federal aid to New York, but they are also adding to federal budget deficits with corresponding increases to the nation's debt load. Increasing federal debt and the need to spend increasing resources on federal interest payments may further strain the federal budget, and potentially increase interest rates, leading to further pressure for cuts to federal funding.

In addition to the direct effects of the reconciliation bill, actions taken on trade and tariffs, immigration, and other macroeconomic policies may produce significant economic headwinds that will also affect businesses and residents in New York. Assumptions for economic and job growth have already been reduced from forecasts just months ago, and there is heightened uncertainty about the future path of national and state growth. If current economic assumptions prove too optimistic, the State will have to contend with revenue shortfalls relative to current projections while it also manages the impact of federal funding cuts.

While there is a need to focus on the immediate effects of federal budgetary changes, policymakers would be prudent to start thinking even longer term. Through the first quarter of SFY 2026, State tax receipts were $580.5 million higher than DOB estimates, while SOF spending was $1.4 billion lower than DOB projected. These resources can help close the $750 million SFY 2026 gap created by the federal reconciliation bill, but planning for how the State can responsibly close growing outyear gaps – and the phasing in of new federal costs – should not be delayed.

The Executive has continually informed New Yorkers about the impacts that the federal reconciliation bill will have on State finances. It is necessary for the Executive to be similarly transparent in its proposed approach to addressing cuts, by articulating the strategy or criteria for how the State will shape its response to these changes.

These criteria should take into account:

1. The potential for implementing efficiencies by streamlining operations and improving internal controls.
2. Finding savings across all State operations and local assistance programs, and balancing savings with minimizing disruptions to the most essential services.
3. Analyzing performance, service and economic data to assess which programs – both those that provide services and those that provide tax credits – are most effective and identifying those which are duplicative, ineffective or cost-inefficient.
4. Keeping tax rates competitive at a time when New Yorkers are facing growing affordability challenges.

It is essential during all of this work, and while dealing with the financial fallout of federal changes, to not lose sight of the people and the institutions that support our communities that are being impacted through federal cuts.

State leaders have noted that the State does not have the capacity to backfill all federal cuts. Choices that will need to be made in next year's budget process should begin to be publicly discussed so that New Yorkers and stakeholders are prepared for the road ahead.

Appendix

Selected Changes Adopted in the Federal Reconciliation Bill, Public Law 119-21

Some of the major provisions include:

- The imposition of requirements on able-bodied adults aged 19 to 64 to work and/or perform alternate activities such as community service at least 80 hours per month, effective January 1, 2027 (unless a state elects for an earlier date). Certain exceptions apply, including for parents and/or other certain caregivers of children aged 13 and under, veterans with a disability rated as total, individuals who are medically frail or have other special medical needs, etc.
- Only providing federal payments for Medicaid to states, effective October 1, 2026, if the eligibility for Medicaid is restricted to residents who are either:
    - a citizen or national of the United States.
    - non-citizens who are admitted for permanent residence as an immigrant (excluding visitors, tourists, diplomats and certain students).
    - individuals granted the status of Cuban and Haitian entrant.
    - individuals who lawfully reside in the United States in accordance with a Compact of Free Association.
- Effective immediately, prohibiting states from establishing new provider taxes or from increasing the rate of current provider taxes. Beginning October 1, 2027, for Affordable Care Act (ACA) expansion states, including New York, reducing the hold harmless threshold (currently at 6%) by 0.5% annually until the maximum hold harmless threshold reaches 3.5%.
- Limiting the ability of states to institute a Managed Care Organization (MCO) tax subject to a transition period established by the Secretary of Health and Human Services.
    - The State is expecting a total of $5.9 billion of revenue through an MCO tax in SFYs 2026 and 2027.
- Lowering the payment limit for state directed payments from the average commercial rate to 100% of the Medicare payment rate in expansion states. These payments allow states flexibility in directing resources to certain healthcare providers, such as safety-net hospitals.
- Restricting health insurance premium credits (which are used to help subsidize the cost of Affordable Care Act Marketplace health insurance coverage), effective January 1, 2027, to only include non-citizens who are:

    - lawfully admitted for permanent residence under the Immigration and Nationality Act.
    - granted the status of Cuban or Haitian entrant.
    - individuals who lawfully reside in the U.S. in accordance with a Compact of Free Association.

- Effective January 1, 2026, the bill eliminates eligibility for the premium tax credit to lawfully present immigrants with incomes under 100% of the poverty level, who previously had access to such credits.
- Current SNAP work requirements are expanded to include able-bodied adults without dependents aged 55-64 (previously, only adults aged 18-54 were subject to work requirements) and the exclusion for adults with dependents now only applies if the dependents are under age 14. The bill also requires veterans, unhoused individuals, and foster care individuals (who were aged out at age 18) up to age 24 to be subject to work requirements whereas the prior law excluded these individuals.

Endnotes

[1] On June 27, 2025, a $6 billion transfer was made for this purpose, which has reduced the State's outstanding balance to $0 as of June 30, 2025.

[2] The State's outstanding loan balance of the Unemployment Insurance Trust Fund resulted in the New York State Department of Labor issuing an Interest Assessment Surcharge (IAS) that businesses were required to pay. As part of the SFY 2026 Enacted Budget, the State agreed to pay the entire outstanding loan balance as well as the IAS, which results in businesses not having to pay the IAS and allowing for increases in the maximum benefit rate for unemployment benefits. See *New York State Department of Labor's Unemployment Insurance (UI) Trust Fund FAQ* for additional information.

[3] For the FY 2010 Enacted Budget Financial Plan, released April 28, 2009 amid the deepening Great Recession and the Global Financial Crisis, the State's outyear budget gaps totaled $24.6 billion, which represented 12.4 percent of the outyear General Fund spending projections made at that time. The gaps in the FY 2021 Enacted Budget Financial Plan, released in April 2020, were 10.6 percent of outyear General Fund spending projections made at that time.

[4] Given the relative lack of changes in the First Quarterly Update, data and most references in this report (unless otherwise noted) are to the FY 2026 NYS Enacted Budget Financial Plan.

[5] U.S. Bureau of Economic Analysis, *Gross Domestic Product by State* (accessed on June 27, 2025).

[6] U.S. Bureau of Labor Statistics, *State and Local Employment* (accessed on June 25, 2025).

[7] Blue Chip Consensus only reports on the U.S. economy. While S&P Global provides a forecast of the New York economy, it does so only on a calendar year basis.

[8] Figure 6 only includes the projected $7 billion transfer to repay the State's outstanding loan balance of the Unemployment Insurance Trust Fund and does not include the projected use of an additional $200 million to have the State paying the Interest Assessment Surcharge on behalf of businesses in the State.

[9] See the *Report on Estimated Receipts and Disbursements State Fiscal Years 2024-25 through 2026-27*, the *Report on the State Fiscal Year 2025-26 Executive Budget, and* the *Enacted Budget Report State Fiscal Year 2025-26*, among others.

[10] Excludes Capital Projects Funds and Federal Funds.

[11] See Section 71117 of Public Law No: 119-21.

[12] Proposed rule by the Centers for Medicare & Medicaid Services in the Federal Register, "*Medicaid Program; Preserving Medicaid Funding for Vulnerable Populations-Closing a Health Care-Related Tax Loophole Proposed Rule*," issued on May 15, 2025 (accessed July 22, 2025).

[13] New York State Departments of Budget and Health, *2026 Enacted Budget Medicaid Scorecard*, (accessed July 14, 2025).

[14] New York State Division of the Budget, *FY 2026 Enacted Budget Financial Plan*, page 21 (accessed July 2, 2025).

[15] Statement by Blake Washington, Director of Budget, to media, July 10, 2025.

[16] S&P Global, June 2025 National Forecast

[17] While the Enacted Budget Financial Plan states the fiscal impact of the Inflation Refund credits is to be assumed through the SFY 2024-25 surplus, DOB counts it as a reduction in PIT receipts.

[18] U.S Bureau of Labor Statistics, *Corporate Profits*, accessed on July 1, 2025. For purposes of the corporate franchise tax, the mandatory first installment of estimated tax is based on the corporation's tax liability for the second preceding year (NYS Tax Law, section 213-b(a)).

[19] The Pass-Through Entity Tax (PTET) was enacted to ease the federal tax burden on New York taxpayers for the federal itemized deduction limit for state and local taxes paid (SALT). The PTET is essentially a substitute for tax liability previously assumed under the Personal Income Tax.

[20] Congressional Budget Office, "*Effects on Deficits and the Debt of Public Law 119-21 and of Making Certain Tax Policies in the Act Permanent | Congressional Budget Office*" (accessed August 7, 2025). See additional document available on the website for more detailed information.

[21] Revenue impact stated does not include the impacts of Chapter 5 of Subtitle A (Ending Green New Deal Spending) or Chapter 3 of Subtitle B (Health Tax). Joint Committee on Taxation, Congress of the United States, *Estimated Revenue Effects Relative to the Present Law Baseline of the Tax Provisions in "TITLE VII - FINANCE"* accessed on July 9, 2025.

[22] Estimates based on an earlier version of the final bill. Congressional Budget Office, "*Re: Estimated Effects on the Number of Uninsured People in 2034 Resulting From Policies Incorporated Within CBO's Baseline Projections and H.R. 1, the One Big Beautiful Bill Act*," (accessed July 10, 2025).

[23] Governor Hochul Press Release, "*Governor Hochul Unveils Devastating Impacts of Republicans' 'Big Ugly Bill' on New York State*," (accessed July 15, 2025).

[24] Ibid.

[25] Statement by Blake Washington, Director of Budget, to media, July 10, 2025.

[26] Urban Institute, "*Expanded SNAP Work Requirements Would Reduce Benefits for Millions of Families*," May 2025 (accessed August 6, 2025).

[27] Governor Kathy Hochul, *Letter to Secretary Kristi Noem*, July 7, 2025 (accessed July 15, 2025).

[28] New York State Division of the Budget, "*FY 2026 NYS Enacted Budget Financial Plan First Quarterly Update,*" pages 1 (accessed July 31, 2025).

[29] New York State Division of the Budget, "*FY 2026 NYS Enacted Budget Financial Plan First Quarterly Update,*" pages 12-13 (accessed July 31, 2025).

[30] Estimates derived from press releases (see, in particular, Endnote 23) and press conferences from the Executive as well as from the New York State Division of the Budget's, *FY 2026 Enacted Budget Financial Plan*, page 141 (accessed July 3, 2025) and *FY 2026 NYS Enacted Budget Financial Plan First Quarterly Update*, page 12 (accessed August 6, 2025).

[31] The current cumulative gaps total $34.3 billion, which become $46.7 billion when adding in the Medicaid and Supplemental Nutrition Assistance Program (SNAP) cuts as identified by DOB and/or the Governor – or an average of $15.6 billion per outyear. General Fund spending over the three outyear period is $122.4 billion, $129.0 billion, and $135.3 billion, which averages to $128.9 billion.

[32] Gaps identified by DOB at the time were: $2.2 billion in SFY 2010-11, $8.8 billion in SFY 2011-12, and $13.7 billion in SFY 2012-13 – for an average of $8.2 billion. General Fund disbursements for the respective three outyears were projected to be: $59.0 billion, $67.3 billion, and $72.0 billion – for an average of $66.1 billion.

[33] See Office of the State Comptroller, *The Case for Building New York State's Rainy Day Reserves*.

[34] New York State Division of the Budget, "*FY 2025 NYS Enacted Budget Financial Plan*," page 18 (accessed July 14, 2025).

[35] See Chapter 56 of the Laws of 2023, Part PP, for changes made to §92-cc of the State Finance Law. Note that the 25 percent calculation includes the $7.2 billion transfer for the unemployment insurance repayment, which results in projected General Fund disbursements being $125.5 billion for SFY 2026.

[36] This amount does not include a $2 billion spending adjustment DOB includes, which DOB indicates is to account for potential under-spending projected to occur as a result of normal timing related to the delivery of capital assets.

[37] This amount does not include a cumulative $10 billion in such spending adjustments included by DOB for the duration of the Capital Program and Financing Plan Period.

[38] Moody's Investors Service, "States – US: Revenue growth and lower ANPLs boost capacity to manage long-term debt", October 7, 2024.

[39] The New York State Department of Health, in a preliminary analysis of the U.S. House version of the reconciliation bill passed in May, which largely contained provisions ultimately included in the enacted federal reconciliation bill, indicated projected losses of Essential Plan funding totaling $7.6 billion per year. Given the effective dates of these provisions, one quarter of SFY 2026 would see lost federal funding of $1.9 billion and then each of the three outyears of the Financial Plan would see lost federal funding of $7.6 billion – for the minimum loss of $24.7 billion in lost federal funding over the Financial Plan. Additional lost federal funding relating to changes made to the Supplemental Nutrition Assistance Program (SNAP), could result in lost federal funding of $103 million in SFY 2027, $790 million in SFY 2028, and almost $1.4 billion in SFY 2029 (see page 12 of the *FY 2026 NYS Enacted Budget Financial Plan First Quarterly Update*). Lastly, the State is projecting the receipt of approximately $2.6 billion in revenues from the Managed Care Organization tax in SFY 2027 (see page 113 of the *FY 2026 NYS*

Enacted Budget Financial Plan); changes in the federal reconciliation bill, as well as proposed regulatory changes, may eliminate this funding.

[40] United States Senate Committee on Appropriations, *Minority News Release | Minority News Releases | News | United States Senate Committee on Appropriations*, *June 25, 2025 (accessed July 31, 2025).*

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