New York State Comptroller
THOMAS P. DiNAPOLI

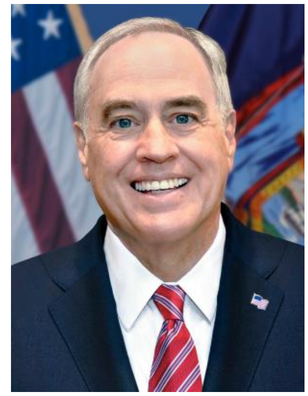
Report on the Enacted Budget and Financial Plan

State Fiscal Year 2027

July 2026

Prepared by the Office of Budget and Policy Analysis

Message from the Comptroller



July 2026

The enactment of the State Fiscal Year (SFY) 2027 Budget comes at a time when New York faces growing fiscal challenges and uncertainty. The SFY 2027 All Funds spending estimate by the Division of the Budget (DOB) is $277.0 billion, an increase of $18.1 billion (7.0 percent) from SFY 2026.

The SFY 2027 Enacted Budget responded to a variety of pressures – increasing household costs that continue to challenge New Yorkers, a federal government withdrawing support, and local governments experiencing fiscal stress. In response, the Budget increases spending in numerous areas, including critical programs like School Aid and Medicaid, expands access to child care and provides $1 billion in tax rebates to help with high utility costs. New York City and other local governments are also benefiting from additional State support.

Effects from federal policy and funding changes are beginning to be realized in the Financial Plan, particularly in healthcare. Hundreds of thousands of New Yorkers lost coverage under the Essential Plan; and while State action has ensured coverage remains for the time being for more than a million New Yorkers, questions about the viability of the Essential Plan remain. Additional federal changes related to nutritional assistance programs will require increased State spending due to the loss of federal funds.

The Financial Plan reveals the impact of these pressures on State finances. DOB projects cumulative outyear budget gaps have increased since January and are now projected to total $31.7 billion. Despite this growth, no increases were made to the State's total reserves. In fact, the State is anticipating drawing down $1.3 billion in General Fund balance by the end of SFY 2027 to help balance the budget. Growing outyear budget gaps combined with stagnant reserves could put essential State investments at risk in the future.

All of this demonstrates how the State's finances continue to remain highly exposed to federal actions, as well as potential economic downturns. Federal funding is an important resource for the State's provision of healthcare, social services and nutrition assistance, and clean water and energy initiatives. In addition, major national and international developments could affect New York's economy, with downstream impacts on tax revenues and fiscal stability. These risks highlight the importance of bolstering the State's rainy day reserves whenever feasible and addressing the State's structural budget imbalance. Strong rainy day funds provide a critical safeguard against economic downturns and other disruptions, helping ensure that essential investments that help New Yorkers can be sustained when they are most needed.

Thomas P. DiNapoli
New York State Comptroller

Table of Contents

Fiscal Assessment

The Division of the Budget (DOB) released the FY 2027 NYS Enacted Budget Financial Plan ("Financial Plan") on June 10, 2026, about two weeks after the last budget bills were passed by the Legislature on May 27, 2026. Due to the late enactment of the budget, DOB has indicated that it "does not expect to issue a Financial Plan quarterly update until the Mid-Year Update on or before October 30, 2026."[1]

Spending Growth Outpaces Receipts

Despite an announced All Funds budget of approximately $268 billion on May 7, 2026,[2] the Financial Plan indicates State Fiscal Year (SFY) 2027 All Funds spending is projected to total $277.0 billion, a year-over-year increase of $18.1 billion (7.0 percent) and $9.0 billion (3.4 percent) higher than originally announced. All Funds revenues are projected to grow by $2.8 billion (1.1 percent) over the prior year to $269.8 billion.

Figure 1
Projected Change in Disbursements and Receipts by Fund, SFY 2027 – SFY 2030 (in millions of dollars)

	SFY 2027 Projected	YOY Change	SFY 2028 Projected	SFY 2029 Projected	SFY 2030 Projected	SFY 2027 – SFY 2030 $ Change	SFY 2027 – SFY 2030 % Change
General Funds							
Receipts	127,172	2.8%	125,825	127,756	133,387	6,215	4.9%
Disbursements	128,792	3.4%	135,282	141,535	151,549	22,757	17.7%
State Operating Funds							
Receipts	157,685	-0.5%	155,302	160,516	166,568	8,883	5.6%
Disbursements	161,127	8.3%	165,160	173,441	183,510	22,383	13.9%
All Funds							
Receipts	269,809	1.1%	264,040	269,985	269,670	(139)	-0.1%
Disbursements	277,020	7.0%	280,256	287,709	288,984	11,964	4.3%

Source: New York State Division of the Budget

Growth in State Operating Funds (SOF) disbursements is projected to be $12.3 billion (8.3 percent), while SOF receipts are decreasing by $810 million (0.5 percent) in SFY 2027. Year-over-year growth in disbursements in the General Fund ($4.3 billion, or 3.4 percent) is also projected to outpace projected growth in receipts ($3.4 billion, or 2.8 percent). Across all three measures of the Budget, disbursements are projected to increase at a faster rate than receipts in SFY 2027; the Financial Plan uses $1.3 billion in General Fund resources to help balance the budget.

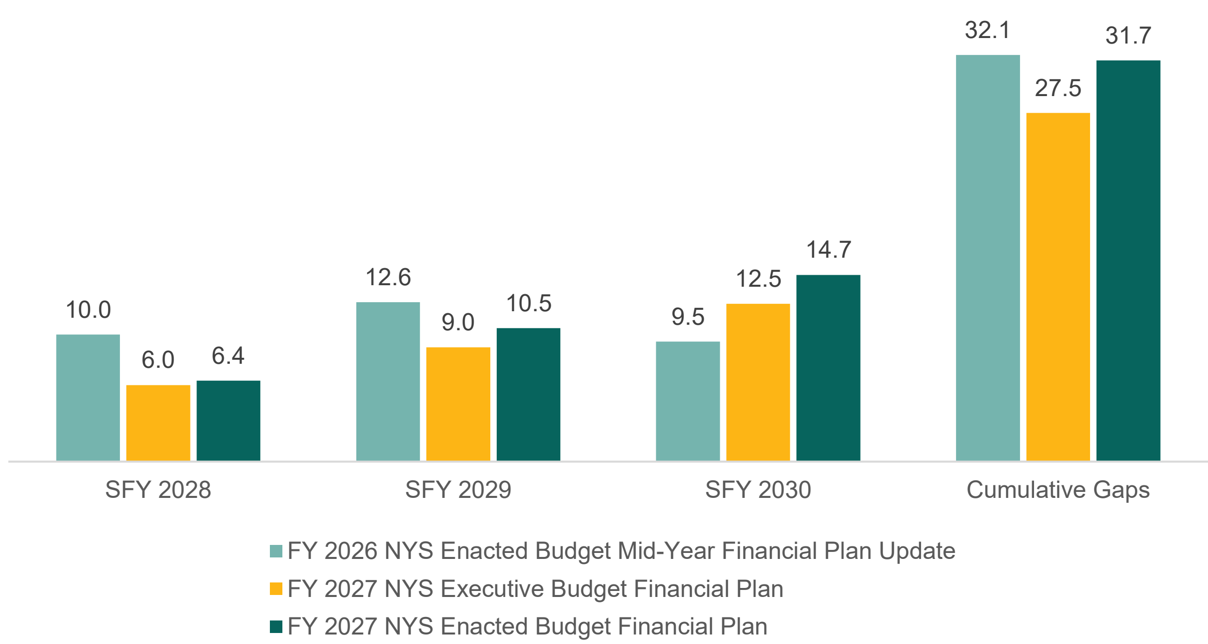
Growth in projected spending is estimated to be several times that of projected revenues over the Financial Plan period. The discrepancy is widest in the General Fund, where disbursements are projected to grow 17.7 percent between SFY 2027 and SFY 2030, compared to 4.9 percent growth for receipts. This structural budget imbalance poses a fiscal risk to the State.

Budget Gaps

When State spending is projected to outpace revenues, this leads to projections of outyear budget gaps. While the SFY 2027 Enacted Budget is currently balanced based on DOB's projections, the outyear budget gaps forecast the amounts of revenue and spending changes that may be necessary for policymakers to address in the future. Outyear budget gaps are not unusual upon budget enactment, but large or growing budget gaps are cause for concern.

The cumulative outyear budget gap increased by approximately $4.1 billion between the January 2026 release of the FY 2027 NYS Executive Budget Financial Plan and the June 2026 release of the FY 2027 NYS Enacted Budget Financial Plan. This amount includes approximately $9.2 billion in negotiated changes to spending and receipts that added General Fund costs over the Financial Plan period, which were partially offset by approximately $5.4 billion in resource and forecast revisions.[3] Cumulatively, the outyear gaps total $31.7 billion for SFYs 2028 through 2030.

Figure 2
General Fund Budget Gaps by Financial Plan, SFY 2028 – SFY 2030
(in billions of dollars)



Note: The FY 2026 NYS Enacted Budget Mid-Year Financial Plan Update ("FY 2026 Mid-Year Update") did not include a budget gap estimate for SFY 2030; DOB first reported the SFY 2030 gap in the FY 2027 NYS Executive Budget Financial Plan as a baseline estimate.

Source: New York State Division of the Budget

As a percentage of General Fund spending, the most recent gap estimates represent 4.7 percent in SFY 2028, 7.4 percent in SFY 2029, and 9.7 percent in SFY 2030. The cumulative, three-year gap amount represents 7.4 percent of projected cumulative General Fund disbursements (i.e., $428.4 billion).

Added Spending

Most of the negotiated changes included in the Enacted Budget are spending additions, totaling approximately $4.1 billion in SFY 2027 (inclusive of $1.0 billion in the "Protecting Our Wallets Energy Rebate" or POWER checks, which are technically advance tax refunds through the personal income tax). Outyear spending additions total $1.6 billion in SFY 2028, $1.7 billion in SFY 2029, and $1.5 billion in SFY 2030, indicating that a notable amount is recurring.

Figure 3
Negotiated Spending Changes, SFY 2027 – SFY 2030
(in millions of dollars)

	SFY 2027 Projected	SFY 2028 Projected	SFY 2029 Projected	SFY 2030 Projected
Spending Adds/Restorations	**4,111**	**1,633**	**1,717**	**1,461**
Recurring	1,441	1,251	1,321	1,060
Restorations/Modifications	358	371	396	401
Non-Recurring	1,272	11	0	0
POWER Rebate Checks	1,040	0	0	0

Note: The POWER rebate checks are identified by DOB as spending even though the actual mechanism for disbursing them is through the personal income tax and could alternatively be considered as a tax expenditure.

Source: New York State Division of the Budget

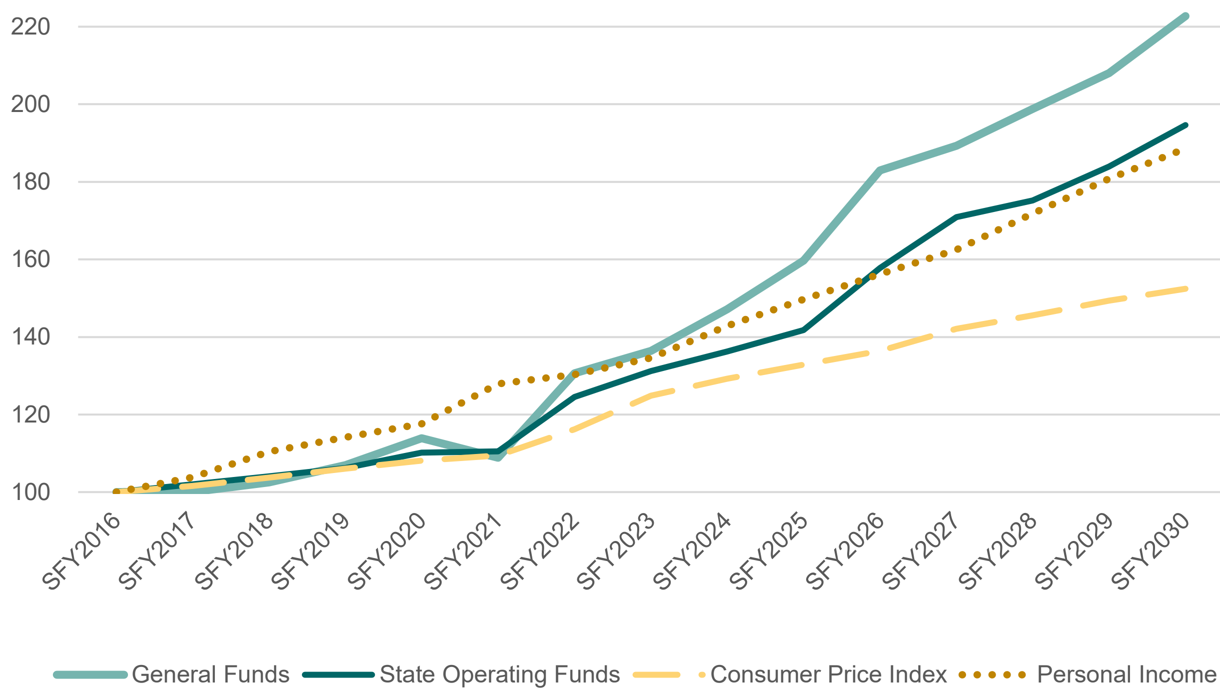
These spending additions, as classified by DOB, are adding over $1.0 billion annually to base spending throughout the Financial Plan period, and are primarily comprised of additional School Aid, aid to New York City, pension benefit enhancements, and other aid to select cities.[4]

Notably, $500 million in spending for distressed hospital assistance is included only for SFY 2027, which is a reflection of current law and not classified as recurring. However, the FY 2027 Executive Budget Briefing Book noted that distressed hospitals have received $2.6 billion since SFY 2023, including "$800 million in FY 2023, of which $100 million was added to the recurring base support, and $500 million in FY 2024, FY 2025, and FY 2026."[5] SFY 2027's $500 million for distressed hospitals would mark the fourth consecutive year of such $500 million in support that DOB does not identify as recurring in the Financial Plan.

Spending Growth

State spending has increased significantly over the past several years, particularly accelerating following the COVID-19 pandemic, which affected the State's finances in several ways.[6] The trajectory of State spending through the Financial Plan period continues this significant growth and DOB projects that it will continue to outpace growth in inflation and personal income, as shown in Figure 4.

Figure 4
General Fund and State Operating Fund Spending Growth Relative to SFY 2016



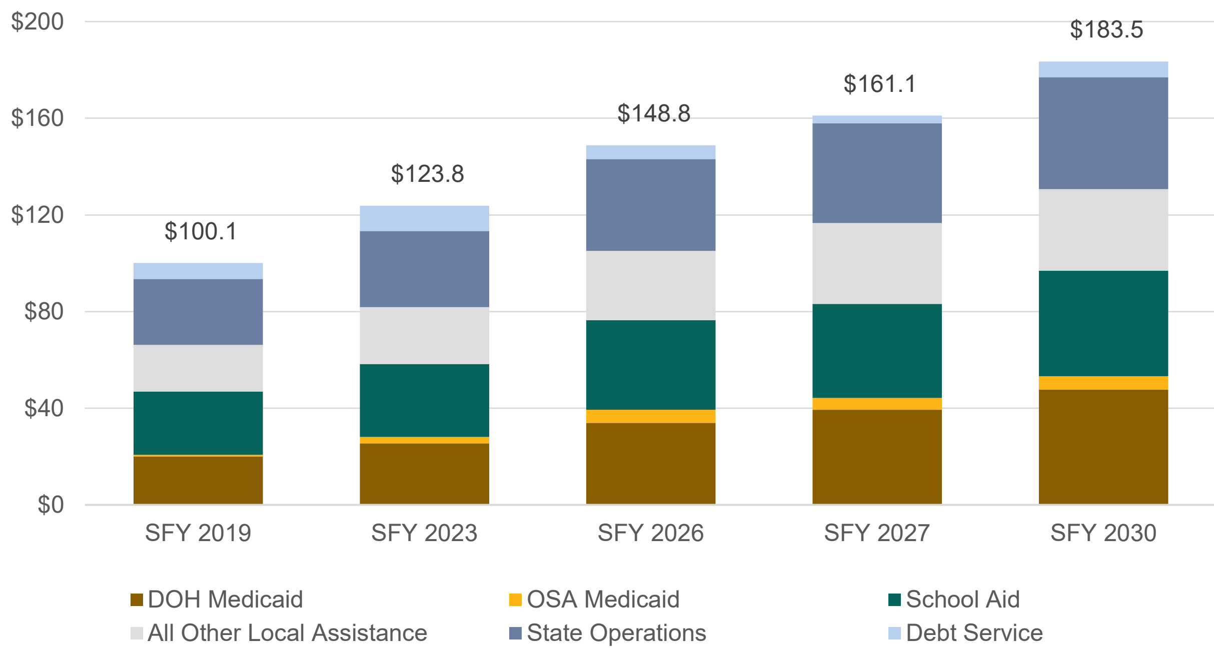
Note: SFY 2016 = 100, and subsequent values indicate growth in each year relative to SFY 2016. General Fund and State Operating Fund data through SFY 2026 are actual results and all other data are projections made by DOB. Consumer Price Index and Personal Income data through SFY 2025 are actual results and all other data are projections made by S&P Global.

Sources: New York State Division of the Budget; S&P Global; Office of the State Comptroller analysis.

Growth in spending is primarily concentrated in the Big 2 – School Aid and Medicaid local assistance – with Medicaid increasingly becoming a larger share of SOF spending. In SFY 2019, School Aid represented approximately $26.3 billion (26.2 percent) of total SOF spending, which was $100.1 billion; that same year, all agency Medicaid spending totaled approximately $20.7 billion (20.7 percent) of SFY 2019 SOF spending. All agency Medicaid spending includes spending both by the Department of Health (DOH) and Other State Agencies (OSA), which includes the Offices of Children and Family Services, Addiction Services and Supports, Mental Health, and People with Developmental Disabilities, as well as some others.

In recent years, all agency Medicaid spending has overtaken spending on School Aid. In SFY 2026, all agency Medicaid spending totaled approximately $39.4 billion (26.5 percent of SOF spending), whereas spending on School Aid – even after Foundation Aid had been fully funded – was a little over $37 billion (24.9 percent). DOB's projections through SFY 2030 show all agency Medicaid spending increasing to $53.3 billion (29 percent of projected SFY 2030 spending), while School Aid spending grows to $43.7 billion (representing 23.8 percent of projected SFY 2030 spending). Figure 5 below shows that if projections hold, the combined share of School Aid and all agency Medicaid spending will have grown from 46.9 percent of SOF spending in SFY 2019 to 52.8 percent by SFY 2030.

Figure 5
State Operating Funds Spending, by category, select years, SFY 2019 – SFY 2030 (in billions of dollars)



Notes: OSA Medicaid includes spending in the following agencies: Office of Children and Family Services, Office of Addiction Services and Supports, Office of Mental Health, Office for People with Developmental Disabilities, Department of Corrections and Community Supervision, and the State Education Department (School Aid). State Operations spending includes: personal service, non-personal service, and General State Charges. SFY 2027 is a DOB estimate and SFY 2030 is a DOB projection; all other SFYs are actual results.

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

Overall, local assistance spending is growing as a share of SOF spending; in SFY 2027, total local assistance spending is projected to jump sharply to 72.4 percent due to substantial assistance to certain local governments.

Notably, spending on State Operations, which includes personal service costs (e.g., wages and salaries), non-personal service costs (e.g., utilities and supplies) and general state charges (e.g., health insurance, fringe benefits, pension contributions), has proportionately decreased from 27.2 percent of SOF spending in SFY 2019 to 25.5 percent in SFY 2026, and is projected to remain around that level in SFY 2030. DOB estimates that State Operations spending will grow by $2.5 billion (9.4 percent) in SFY 2027.[7]

Major Areas of Spending

This year, the State budget responded to three distinct pressures: the retrenchment of federal support for the social safety net; the persistent and stubborn increase in the cost-of-living for New Yorkers; and increasing local government fiscal needs. In the aggregate, the response led to spending increases that include:

- State-share support for all agency Medicaid is projected to increase by $5 billion, assisting health care facilities in dealing with what is expected to be an increase in uninsured patients as a result of federal actions.
- Increasing child care spending by $944 million over SFY 2026 and School Aid by $2.0 billion, with part of this growth for the expansion of Universal Prekindergarten and 3-K, further improving access to affordable child care and early childhood education.
- $1 billion in tax refund checks intended to aid with high utility prices.
- Increasing assistance to local governments, assisting multiple localities that were facing imminent fiscal cliffs.

Healthcare

Figure 6 identifies DOB's estimate for $125.8 billion in All Funds spending on Medicaid and the Essential Plan in SFY 2027; this combined spending represents 45.4 percent of All Funds disbursements.[8] While All Funds Medicaid spending is projected to decline slightly in SFY 2028, this total growth figure masks the strong increase projected in State funds, as projected federal funding reaches a peak in SFY 2027 and begins to decline in the outyears.

Figure 6
Medicaid and Essential Plan All Funds Spending, SFY 2026 – SFY 2030
(in millions of dollars)

	SFY 2026	SFY 2027	Percent Change	SFY 2028	Percent Change	SFY 2029	Percent Change	SFY 2030	Percent Change
DOH Medicaid	92,923	106,072	14.1%	104,575	-1.4%	108,862	4.1%	116,575	7.1%
OSA Medicaid	8,789	8,354	-5.0%	9,016	7.9%	9,196	2.0%	9,333	1.5%
Total Medicaid	101,712	114,425	12.5%	113,591	-0.7%	118,057	3.9%	125,907	6.6%
Essential Plan	14,144	11,393	-19.4%	11,384	-0.1%	9,259	-18.7%	173	-98.1%
Total Medicaid and Essential Plan	**115,856**	**125,819**	**8.6%**	**124,975**	**-0.7%**	**127,316**	**1.9%**	**126,081**	**-1.0%**

Notes: Includes federal and State funds. DOH Medicaid spending includes Medicaid Administration costs. OSA = Other State Agency and reflects Medicaid spending occurring in the Office of Children and Family Services, Office of Addiction Services and Supports, Office of Mental Health, Office for People with Developmental Disabilities, Department of Corrections and Community Supervision, and in the Department of Education (School Aid). Local share is not shown.

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

Projections for Medicaid enrollment remain relatively stable at around 6.5 million New Yorkers from SFY 2026 through SFY 2028, but then increase to approximately 7.2 million New Yorkers in SFYs 2029 and 2030. DOB's increased projections reflect changes to anticipated enrollment from immigrant populations that were previously able to obtain coverage under the Essential Plan, but will no longer be able to due to Public Law 119-21 (P.L. 119-21). DOB indicates that approximately 636,000 Essential Plan enrollees would transition into Medicaid during SFY 2029.[9] Projections are that Essential Plan enrollment will drop from 1.8 million New Yorkers in SFY 2026 to just over 1.4 million in SFY 2027 and SFY 2028; after that, enrollment is reported as "TBD" by DOB pending programmatic changes.[10]

Medicaid

State-share Medicaid spending across all State agencies is projected to total approximately $48.2 billion in SFY 2027, an increase of $5.0 billion (11.7 percent) from SFY 2026 levels, and is projected to increase by $1.3 billion (2.8 percent) in SFY 2028, $2.4 billion (4.9 percent) in SFY 2029 and $5.4 billion (10.5 percent) in SFY 2030. DOB indicates that Medicaid spending growth is driven by minimum wage increases for health care workers, rising medical and drug costs, higher reimbursement rates, and continued growth in aging and high-utilization populations.[11]

The State projects Medicaid spending will remain within the Medicaid Global Cap through SFY 2027 but will exceed it by $430 million in SFY 2028, with projected deficits growing to $676 million in SFY 2029 and then to $3.2 billion in SFY 2030 as Essential Plan-related costs shift to Medicaid. The share of Department of Health (DOH) Medicaid spending exempt from the Global Cap has grown from around 4 percent when the cap was established to an estimated 25 percent in SFY 2027.[12] As a result, the Global Cap now constrains less than three-quarters of DOH Medicaid spending. Exempt costs now include the State's takeover of local Medicaid growth, Healthcare Stability Fund (HSF) investments, minimum wage mandates, and administrative expenses. Exempting spending effectively limits the Cap's intended effect of constraining overall Medicaid cost growth. The declining share of Medicaid spending covered by the Global Cap demonstrates the way the State has been responding to increased Medicaid costs – not primarily through cost containment, but through shifting and increasing resources for the program. Federal changes are constraining some of these revenue-raising strategies.

Managed Care Organization Tax Assessment and the Healthcare Stability Fund

At the State's request, the Centers for Medicare and Medicaid Services approved a per-member per-month assessment on Managed Care Organizations (MCOs) effective January 1, 2025, with collections beginning in July 2025.[13] However, both a May 2025 CMS draft rule and P.L. 119-21 Section 71117 introduced new conditions with which New York's existing assessment would not be in compliance. CMS issued a final rule in January 2026 allowing New York to continue collections through the end of calendar year 2026, bringing total projected collections under the existing assessment to approximately $5.5 billion across SFY 2026 and SFY 2027 combined. By comparison, the SFY 2027 Enacted Budget authorizes a new uniform assessment compliant with the updated CMS standards, effective January 1, 2027, expected to provide $165 million annually in resources dedicated to health care delivery and services.

Revenues from the MCO assessment flow into the HSF, which is exempt from the Medicaid Global Cap and serves as a vehicle for targeted provider investments. In SFY 2027, the HSF is projected to disburse $4.1 billion, including $711 million to hospitals, $433 million to nursing homes, $330 million to the Safety Net Transformation Program, and $1.9 billion in assessment offsets.

Figure 7
Healthcare Stability Fund, Receipts and Disbursements, SFY 2026 – SFY 2030 (in millions of dollars)

Healthcare Stability Fund	SFY 2026 Actuals	SFY 2027 Projected	SFY 2028 Projected	SFY 2029 Projected	SFY 2030 Projected
Opening Balance	**201**	**1,757**	**1,021**	**116**	**-**
Receipts	**2,801**	**3,403**	**724**	**724**	**724**
Miscellaneous Receipts	2,801	2,653	224	224	224
General Fund Transfer	-	750	500	500	500
Disbursements	**1,245**	**4,139**	**1,629**	**840**	**724**
Global Cap Offset	500	500	-	-	-
Hospitals	174	711	680	400	400
Nursing Homes	223	433	433	240	240
Safety Net Transformation	-	330	300	132	16
Federally Qualified Health Centers	-	40	40	-	-
Assisted Living Programs	8	18	18	10	10
Assessment Offsets	142	1,892	58	58	58
All Other	198	215	100	-	-
Closing Balance	**1,757**	**1,021**	**116**	**-**	**-**

Source: New York State Division of the Budget

HSF disbursement levels are projected to fall sharply in the outyears, primarily due to the significant decrease in MCO assessment revenues. P.L. 119-21 further limits the State's flexibility by prohibiting new provider taxes and restricting increases to existing ones, leaving the State without a clear mechanism to replace HSF funding – other than using the General Fund to backfill lost MCO revenues. While the State is attempting to reformulate the MCO tax to fit within new guidelines, revenues from the new tax will be far lower than those of the assessment it is replacing.

The pressures hospitals and providers face will likely intensify. In SFY 2026, 75 of the State's 261 hospitals, or 28.7 percent, were classified as financially distressed by DOH, a 200 percent increase since SFY 2017, which has driven a nearly 700 percent increase in federal and State fiscal assistance to those facilities over the same period.[14] As previously noted, the SFY 2027 Enacted Budget includes a $500 million in "one-time" assistance to distressed hospitals. The combined fiscal pressures of projected Medicaid spending above the Global Cap with the diminishment of MCO tax revenues will require the State to make choices about the sustainability of the current trajectory of Medicaid spending.

Essential Plan

Among the most consequential near-term developments is the transition of the Essential Plan to the Basic Health Plan. The Essential Plan covered approximately 1.8 million New Yorkers in SFY 2026, including lawfully present immigrants who are ineligible for federally financed Medicaid solely due to immigration status. P.L. 119-21 made two changes that affected the Essential Plan's funding: effective January 1, 2026, lawfully present immigrants with incomes below 100 percent of the federal poverty level (FPL) but who do not qualify for Medicaid due to their immigration status lost access to premium tax credits. Effective January 1, 2027, federal funding for Essential Plan benefits will be eliminated for certain lawfully present immigrants.

In response, DOH received approval from the federal Centers for Medicare and Medicaid Services (CMS) to terminate the Essential Plan's 1332 State Innovation Waiver and reactivate the suspended 1331 Basic Health Plan (BHP) effective July 1, 2026. Approximately 1.4 million current Essential Plan enrollees with incomes below 200 percent FPL will transition to the BHP, where they can maintain coverage. This would allow the Essential Plan to continue to serve certain immigrants using excess resources accumulated in trust under the BHP.

However, some New Yorkers will lose coverage. For the approximately 450,000 New Yorkers with incomes between 200 to 250 percent of FPL who were eligible for the Essential Plan under the previous Section 1332 Waiver, healthcare options will now be limited to other Qualified Health Plans available through the New York State of Health marketplace, employer-sponsored healthcare, or to become uninsured.

Available funds are estimated by DOB to be sufficient to operate the 1331 BHP through December 31, 2028.[15] Essential Plan receipts are projected to decline from $14.6 billion in SFY 2026 to $9.1 billion in SFY 2027 and then to below $7 billion in SFYs 2028 and 2029 with a "TBD" for SFY 2030,[16] reflecting the loss of federal funding for the immigrant population and the consequent uncertainty relating to the Essential Plan's finances.[17] As the Essential Plan evolves, New York faces a coverage cliff for its enrollees, given the significant loss of federal funding and requirements on the State to provide health insurance in some cases. As a result, many individuals are likely to become uninsured, driving increased uncompensated care costs for safety-net hospitals and the State, or many who qualify could shift onto State-funded Medicaid.

According to DOB, State-only coverage costs for the affected Essential Plan individuals are estimated to be nearly $7 billion through SFY 2028.[18] DOB indicates that SFY 2027 savings from the transition are being set aside to help offset future costs.[19]

Rural Health Transformation Program (RHTP)

The Enacted Budget appropriates $190.9 million in federal funds through the new Rural Health Transformation Account within the Federal Health and Human Services Fund. This is new funding made available under P.L. 119-21, and in December 2025 CMS announced that New York would receive this funding to "strengthen and modernize health care in rural communities."[20] DOH has indicated that they aim to establish and enhance rural health partnerships, strengthen technology-enhanced primary care, and build a sustainable healthcare workforce.[21]

However, the RHTP may offset only a fraction of the broader impact of Medicaid and Essential Plan reductions under P.L. 119-21. Many rural communities rely on Medicaid and already face documented shortages of healthcare professionals.[22] State-directed payments – supplemental Medicaid payments that states use to give additional funding to specific providers, such as safety net hospital and rural providers, above standard managed care rates – will face reductions beginning in 2028, further limiting a key funding source for these facilities.

Education

Total School Aid SOF spending for SFY 2027 is projected to be $39.1 billion, an increase of $2.0 billion (5.4 percent) from SFY 2026. School Aid growth is subject to an annual growth cap relating to State personal income (the "Personal Income Growth Index" or PIGI), but DOB indicates that School Aid increases have exceeded the PIGI almost every year since its inception in SFY 2012.[23]

Figure 8
Projected Growth in State Operating Funds School Aid Spending, SFY 2027 – SFY 2030
(in millions of dollars)

Total School Aid	SFY 2026	SFY 2027	% Change	SFY 2028	% Change	SFY 2029	% Change	SFY 2030	% Change
GF Asst. & Grants	31,706	33,835	6.7%	35,682	5.4%	37,363	4.7%	38,715	3.6%
Medicaid	94	140	48.9%	140	0.0%	140	0.0%	140	0.0%
Lottery	2,591	2,458	-5.1%	2,541	3.4%	2,466	-3.0%	2,466	0.0%
VLT Lottery Aid	1,131	1,069	-5.5%	130	-87.8%	505	288.5%	536	6.1%
Commercial Gaming	135	142	5.2%	919	547.2%	580	-36.9%	631	8.8%
MSW	1,457	1,456	-0.1%	1,336	-8.2%	1,331	-0.4%	1,331	0.0%
Total SOF	**37,114**	**39,100**	**5.4%**	**40,748**	**4.2%**	**42,385**	**4.0%**	**43,819**	**3.4%**

Notes: SOF = State Operating Funds, GF = General Fund, VLT = Video Lottery Terminal, MSW = Mobile Sports Wagering. SFY 2026 amounts are actual results; all other years are DOB projections.

Sources: New York State Division of the Budget

For the second year in a row, the Enacted Budget contains significant changes to the Foundation Aid formula, including:

- A new weighting for homeless children and foster youth; and
- An increase to the weighting for English Language Learners.

The Enacted Budget also provides a minimum 2 percent increase year-over-year for every school district and requires the Commissioner of Education to develop instructional best practices in mathematics and for school districts to align their instruction to these practices by September 1, 2027.

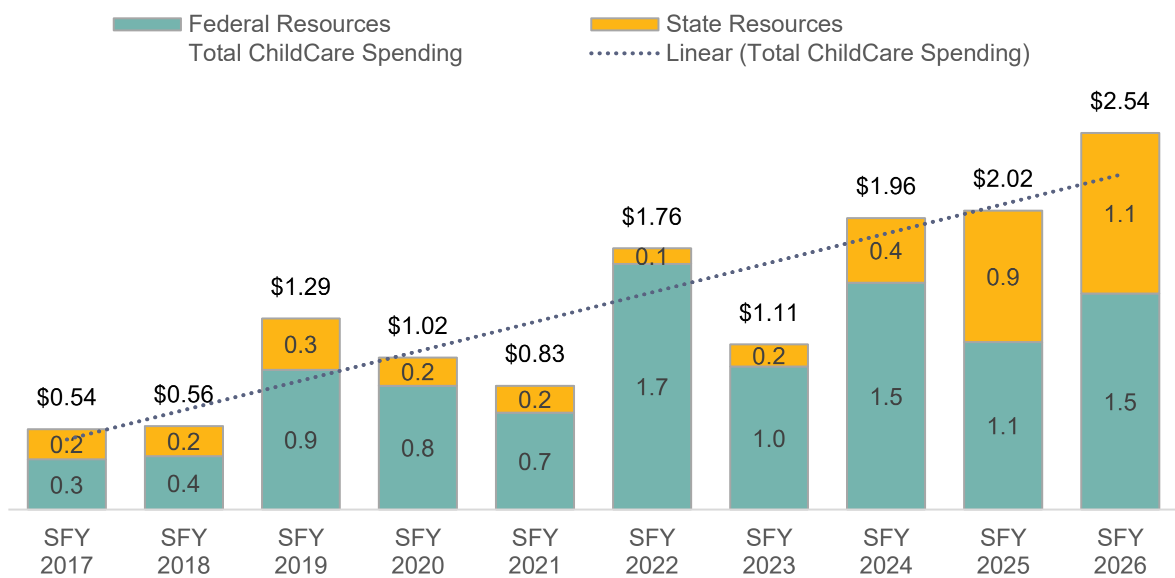
The State's efforts to provide Universal Prekindergarten (UPK) were expanded by increasing per-pupil UPK funding to the higher of either $10,000 or a school district's Foundation Aid per-pupil amount and requiring all school districts to provide prekindergarten by SY 2028-29.[24] New

York City is estimated to receive $205 million for its “3-K” program, which offers full-day education to three year-olds in New York City.[25] The Enacted Budget also includes provisions that allow non-profit organizations, charter schools, libraries, and museums to provide UPK.[26]

Child Care

Spending for the provision of 3-K and UPK are part of continued efforts by the State to improve child care availability and affordability, which are persistent challenges identified by the Office of the State Comptroller as impediments to the State’s economic competitiveness. The State uses both federal and State funds to support these efforts, with the level of State spending having grown significantly through the close of SFY 2026, as shown in Figure 9.

Figure 9
Actual Child Care Spending by Source, SFY 2017 – SFY 2026
(in billions of dollars)



Note: Reflects actual disbursements within each State Fiscal Year.

Sources: Statewide Financial System; Office of the State Comptroller analysis.

The SFY 2027 Enacted Budget continues this trajectory by appropriating $3.1 billion in total funding for child care, an increase of $944 million over SFY 2026 appropriations; of this amount, appropriations from State resources total $2.4 billion. In addition, the Enacted Budget includes $1.5 million for the creation of a new Office of Child Care and Early Education, which will be charged with coordinating “the implementation of universal child care, continued investments in 3K, the launch of 2-Care, and workforce supports.”[27] Child care is a growing area of State spending – over the Financial Plan period, Office of Children and Family Services SOF spending for child care (as designated by DOB) increases by $482 million (18.1 percent), reaching a total of almost $3.2 billion in SFY 2030.

Local Government Assistance

While funding for Aid and Incentives for Municipalities (AIM) at $715.2 million and Aid to Municipalities with Video Lottery Gaming Facilities (VLT Aid) at $30.1 million remain the same as they were in SFY 2026, the Enacted Budget for SFY 2027 is providing a sizeable increase in aid for certain local governments. In total, the Enacted Budget provides $1.8 billion in local government assistance, an increase of $947 million (107.7 percent) over SFY 2026 and $313.8 million (20.8 percent) over the Executive Budget 30-Day amendments.[28]

Most of these increases are in Miscellaneous Financial Assistance (MFA), including $695 million more to New York City[29] and $167 million more to targeted cities outside of New York City. Additionally, the Enacted Budget adds $100 million in support for Temporary Municipal Assistance (TMA), bringing the total to $150 million, effectively tripling awards for all municipal recipients from SFY 2026 and increasing the individual award cap from $5 million to $15 million.

Figure 10
SFY 2027 Enacted Budget Local Government Assistance, Select Cities (in millions of dollars)

	Total Local Assistance	Miscellaneous Financial Assistance	Temporary Municipal Assistance	Aid and Incentives for Municipalities
Total Appropriation	$1,795.7	$887.6	$150.0	$715.2
Select Cities				
New York City	$695.0	$695.0	$0.0	$0.0
Buffalo	$231.3	$55.0	$15.0	$161.3
Yonkers	$163.2	$40.0	$15.0	$108.2
Rochester	$123.2	$20.0	$15.0	$88.2
Syracuse	$106.8	$20.0	$15.0	$71.8
Albany	$57.0	$40.0	$4.4	$12.6
Mount Vernon	$19.7	$10.0	$2.5	$7.2
Auburn	$8.9	$2.2	$1.7	$5.0

Note: Total Local Assistance does not include Video Lottery Terminal Aid; sum of select cities does not add up to Total Appropriation because other unlisted municipalities are recipients of the respective aid categories.

Sources: Division of the Budget; Office of the State Comptroller analysis.

State Workforce

As of 2025, the State workforce remained below 2016 levels. The Financial Plan projects a modest increase in SOF workforce from 148,705 to 156,571 in SFY 2027 (including the State and City University systems). All State labor unions have contracts that expired in SFY 2026, and costs associated with two tentative agreements are included in the Financial Plan.[30] The SFY 2027 Enacted Budget includes multiple pension benefit enhancements that DOB indicates will cost the State $578 million over the Financial Plan period.[31]

Economics and Revenue

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, the national economy, as measured by the change in the real Gross Domestic Product (GDP), grew by 2.1 percent in the first quarter of 2026, an acceleration from the 0.5 percent growth in the fourth quarter of 2025.[32] However, this faster growth was largely due to economic activity that was postponed as a result of the partial federal government shutdown from October 1 to November 12, 2025.

In addition, after easing at the beginning of the year, inflation, as measured by the year-over-year change in the Consumer Price Index, accelerated from 2.4 percent in January to 4.2 percent in May as a result of higher household energy costs (6.3 percent) as well as increased motor fuel prices (15.4 percent) due to the war with Iran.[33]

Employment growth nationally and in New York in 2026 has slowed from 2025 levels. On average, the number of jobs nationally increased by 0.2 percent year-over-year; in New York, growth was slightly slower, 0.1 percent.[34]

Based on these results, DOB's forecast was revised to show a slowdown in national economic growth to 1.9 percent in 2026 from 2.1 percent in 2025, as opposed to an acceleration to 2.5 percent noted in the Economic and Revenue Forecast Consensus Report. The national economy is projected to slow further in 2027, growing by 1.6 percent, down from the 1.9 percent increase forecasted at Consensus. Similarly, national employment growth is projected to be lower in both 2026 and 2027.

Figure 11
Forecasts of Select U.S. Economic Indicators, Annual Percentages

	REAL GDP GROWTH		CONSUMER PRICE INDEX GROWTH		EMPLOYMENT GROWTH		UNEMPLOYMENT RATE	
	2026	2027	2026	2027	2026	2027	2026	2027
Enacted	1.9	1.6	3.6	2.7	0.2	0.1	4.5	4.7
Consensus	2.5	1.8	2.9	2.7	0.3	0.5	N/A	N/A
Blue Chip	2.0	2.0	3.5	2.5	N/A	N/A	4.4	4.4
S&P Global	2.1	2.1	3.8	2.8	0.2	0.0	4.5	4.7

Sources: New York State Division of the Budget; FY 2027 Consensus Economic and Revenue Forecast Report; June 2026 Blue Chip Economic Indicators; S&P Global June 2026 National Forecast

At the same time, inflation is forecasted to be higher in 2026, 3.6 percent compared to 2.9 percent at Consensus but to ease to 2.7 percent in 2027.

For New York, DOB's economic outlook for the current fiscal year has not changed significantly from the Consensus forecast. While personal income and wages in New York are projected to increase at a slower pace in SFY 2027, both projections were revised from the Consensus forecast to be higher. This is due, in part, to DOB's expectation for continued, albeit slower, bonus growth in the financial sector. However, job gains for SFY 2027 were revised lower, from 0.3 percent at Consensus to 0.1 percent.

Figure 12
Select New York Economic Indicators, Annual Percentage Change

	PERSONAL INCOME		WAGES		EMPLOYMENT	
	SFY 26	SFY 27	SFY 26	SFY 27	SFY 26	SFY 27
Enacted	4.7	3.9	5.1	4.1	0.6	0.1
Consensus	5.1	3.8	5.6	3.8	0.6	0.3

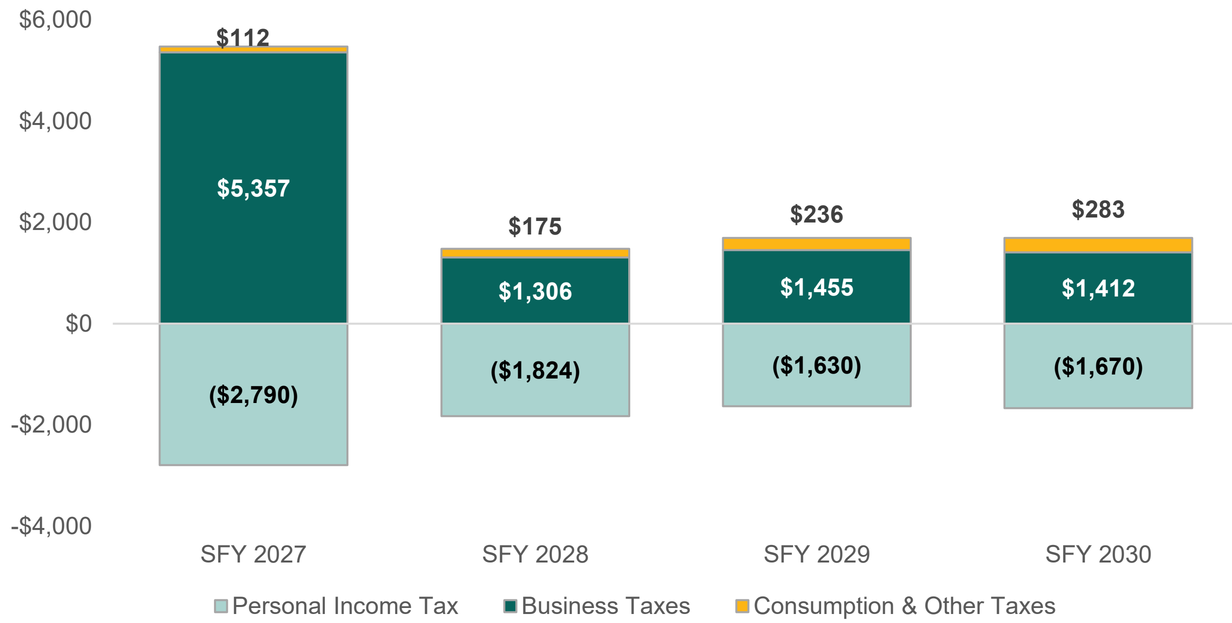
Sources: New York State Division of the Budget; FY 2027 Consensus Economic and Revenue Forecast Report

Updated Revenue Projections Largely Reflect Retention of Current PTET Opt-In Deadline

While economic growth is forecast to slow, DOB has increased its projection for All Funds taxes by a net of $2.4 billion over the Financial Plan period; however, revisions were concentrated in total collections for SFY 2027, estimated to be $2.7 billion higher. In contrast, outyear projections are projected to be $257 million lower.

As shown in Figure 13, collections from business taxes were revised upwards by over $5.3 billion for the current fiscal year from the Executive Budget Financial Plan. This is largely because the Executive Budget proposal to change the opt-in deadline for the Pass-Through Entity Tax (PTET) from March 15 every year to September 15 beginning in tax year 2027 was not included in the Enacted Budget. This proposal was estimated to result in a $4 billion reduction in PTET receipts in SFY 2027.

Figure 13
Revisions to Projected Tax Collections Between SFY 2027 Executive and Enacted Financial Plans, SFY 2027 – SFY 2030
(in millions of dollars)



Source: New York State Division of the Budget

Partially offsetting the estimated increase in business tax collections in SFY 2027 was a downward revision to personal income tax (PIT) receipts. While this reflects, in part, the enactment of the Protecting Our Wallets Energy Rebate ("POWER") personal income tax credit, estimated to reduce collections by just over $1 billion, lower projected receipts are also the result of a decrease in payments with requests for annual filing extensions for the 2025 tax year, as well as for quarterly estimated payments to be made for the 2026 tax year.

In the outyears, the higher projected business tax collections, mainly from the PTET, are offset by lower forecasted PIT receipts as DOB anticipates estimated payments, as well as payments relating to filing of annual returns, to be weaker.

Revenue Actions

DOB estimates that tax policy changes included in the Enacted Budget will result in a net increase in General Fund revenues of $324 million in the current fiscal year, $1.6 billion in SFY 2028, $1.9 billion in SFY 2029, and $1.3 billion in SFY 2030. These increases are largely due to decoupling from the accelerated expensing provisions provided at the federal level under P.L. 119-21 and the three-year extension of the higher corporate franchise tax rates from December 31, 2026 to December 31, 2029, as seen in Figure 14.

Figure 14
Projected General Fund Impacts from Revenue Actions, SFY 2027 – SFY 2030 (in millions of dollars)

	SFY 2027	SFY 2028	SFY 2029	SFY 2030
Personal Income Tax	**($1,092)**	**($133)**	**($124)**	**($83)**
Temporary Deduction for Tipped Wages	($52)	($69)	($60)	($19)
Decouple Child and Dependent Care Credit	-	($64)	($64)	($64)
POWER Credit	($1,040)	-	-	-
Business Taxes	**$1,400**	**$1,640**	**$2,040**	**$1,400**
Decouple from Certain Federal Expensing Provisions	$1,400	$640	$560	$240
Extend Higher Corporate Tax Rates for Three Years	-	$1,100	$1,580	$1,210
Increase NYC Musical and Theatrical Production Tax Credit	-	-	($100)	($50)
All Other Tax Actions	**$16**	**($16)**	**($10)**	**($5)**
Total General Fund Impact	**$324**	**$1,591**	**$1,906**	**$1,312**

Source: New York State Division of the Budget.

Besides the business tax provisions, other tax policy changes were largely concentrated in the PIT. The POWER tax credit applies to resident PIT filers with incomes less than $300,000 (married, joint filers) or $150,000 (all other filers).[35] The credit varies from $100 to $200, as shown in Figure 15, impacting over 8.3 million taxpayers and reducing PIT revenues in SFY 2027 by just over $1 billion.[36]

Figure 15
Energy Rebate Credit by Filing Status

Filing Status	Income Level	Credit Amount
Married, Joint	Less than $150,000	$200
	$150,000 - $300,000	$150
All Others	Less than $150,000	$100

Note: All others include single, head of household, and married, separate filers.

New York personal income taxpayers are allowed to claim a credit for expenses related to the care of a child or dependent, the amount of which was partially coupled to the federal credit prior to the Enacted Budget. The Enacted Budget fully decouples the child and dependent care credit beginning in tax year 2026, increasing the share of care expenses that can be claimed as a credit for taxpayers with incomes between $15,000 and $219,000. The credit will phase out at incomes above $750,000 and only full-year resident taxpayers will be able to claim the credit.[37] In tax year 2024, just over 299,000 resident filers claimed $89.2 million in credits.[38]

New York personal income taxpayers will be allowed to deduct tip income beginning in tax year 2026. The amount of tipped income that can be deducted is capped at $25,000 and is limited to filers with incomes less than $150,000 ($300,000 for married, joint filers). The deduction is linked to a federal tax deduction that is in effect through tax year 2028.

Capital Plan and State Debt

SFY 2027 Capital Plan

Over the five-year Enacted Budget Capital Plan (SFYs 2027 through 2031), capital spending is projected to total $110.2 billion, a nearly $8.7 billion (8.6 percent) increase over the SFY 2026 Enacted Budget Capital Plan.

Figure 16
Capital Spending by Function, SFY 2027 – SFY 2031
(in millions of dollars)

Functional Area	Five Year Total	Percent of Five Year Total	Change from Prior Enacted Budget Plan Dollars	Change from Prior Enacted Budget Plan Percent
Transportation & Transit	$45,767	41.5%	$551	1.2%
Parks & Environment	$14,784	13.4%	$2,021	15.8%
Higher Education	$12,661	11.5%	$945	8.1%
Economic Development	$11,869	10.8%	$1,574	15.3%
Housing & Social Welfare	$9,521	8.6%	$221	2.4%
Health	$7,019	6.4%	$2,235	46.7%
Mental Hygiene	$5,043	4.6%	$211	4.4%
Other	$3,559	3.2%	$934	35.6%
Total	**$110,222**	**100.0%**	**$8,691**	**8.6%**

Note: Transportation and Transit spending includes the State's contribution to the MTA's multi-year capital plans.

Source: New York State Division of the Budget

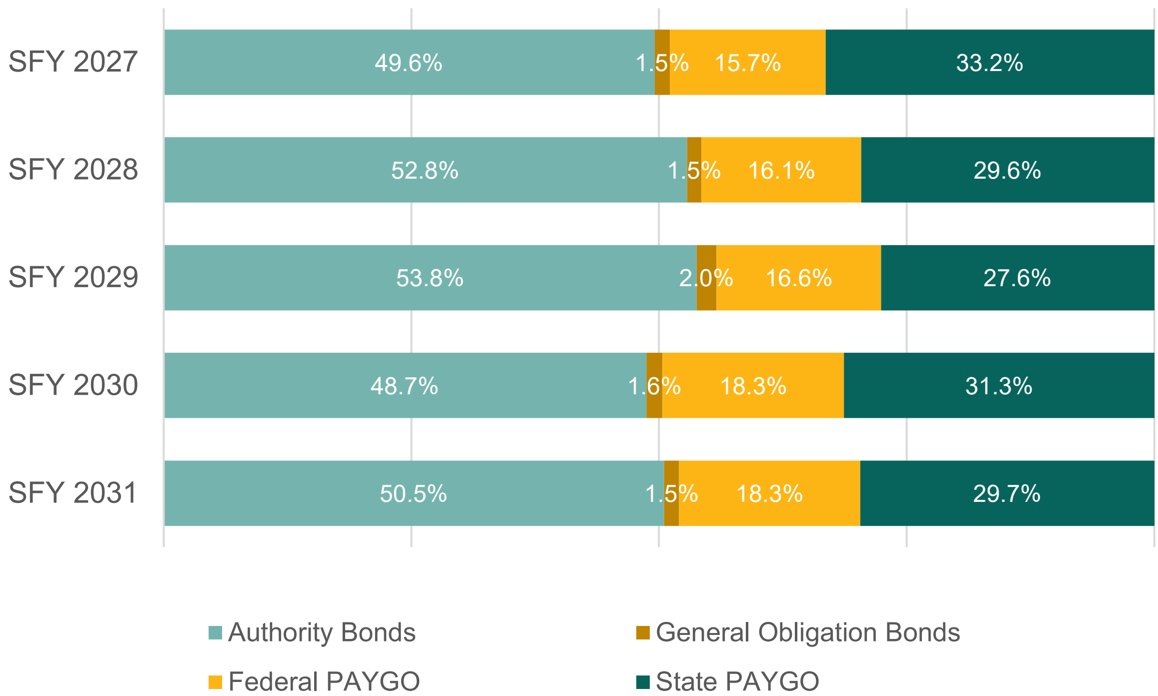
Spending reflects new or additional capital initiatives, including the following:

- Over $6 billion for the final year of the current $34.5 billion five-year Department of Transportation (DOT) Capital Plan;
- $3.75 billion over five years ($750 million per year) for clean water infrastructure;
- Nearly $2.8 billion for new or expanded economic development initiatives, including NY Works Economic Development Fund, Downtown Revitalization, NY Forward, and other regional, economic and community development purposes;
- $1.8 billion for higher education projects at SUNY and CUNY;
- $1 billion for safety net hospitals and partner networks;
- $425 million added for the Environmental Protection Fund; and
- $349 million for State parks.

Capital Plan Financing

Over the five-year Enacted Budget Capital Plan, State pay-as-you-go is projected to total $33.3 billion, a $3.9 billion increase (13.2 percent) over the prior five-year plan. Public authority backdoor borrowing is estimated at $56.4 billion, an increase of nearly $4.4 billion (8.4 percent). More than 51 percent of all capital projects spending is projected to come from backdoor debt.[39] General obligation bonds are projected to total $1.8 billion and federal funding is expected to total $18.7 billion (17 percent) of the $110.2 billion financing plan.

Figure 17
Five-Year Capital Plan Projected Financing Sources, SFY 2027 – SFY 2031

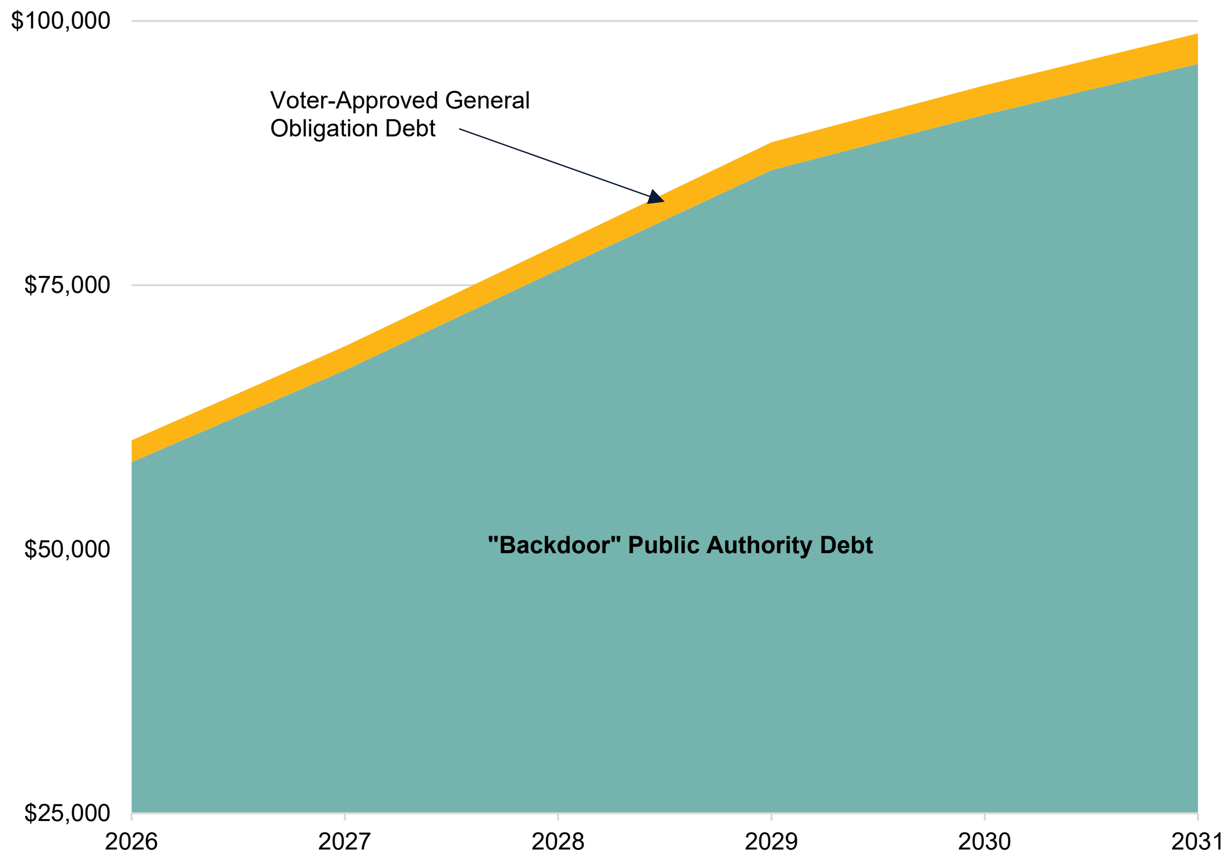


Source: New York State Division of the Budget

State Debt Burden

New York appropriately uses debt to finance essential infrastructure and other capital needs. However, an overreliance on debt financing, in particular backdoor borrowing through public authorities, has led to one of the highest state debt burdens in the nation.[40] As shown in Figure 18, total State-supported debt outstanding is projected to grow from $60.3 to $98.8 billion during the next five years, an increase of about 64 percent. Nearly all of this increase results from backdoor borrowing. As a result, the State is projected to approach its debt limit, with room under the cap declining to just $177 million by SFY 2031. Approaching the debt cap could make it more difficult to maintain existing infrastructure in a state of good repair or impede making new investments.

Figure 18
State-Supported Debt Outstanding, SFY 2026 – SFY 2031
(in millions of dollars)



Note: SFY 2026 figures are not actual, audited results.

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

Debt Service – Prepayments Target Short-Term Budget Relief

Among the more prominent cash management actions in recent years has been the annual prepayment of debt service expenses. In the past five fiscal years, debt service prepayment actions have totaled nearly $25.6 billion, including $4.5 billion in SFY 2026. The Enacted Budget Financial Plan further assumes $1.5 billion more will be prepaid in the current year. Using available fund balances in this manner can be an effective budget management tool. However, while these prepayments may produce some modest interest cost savings and generally result in lower payments over the near-term horizon, they can mask the growing trajectory of debt service requirements. They also distort trends for comparing overall revenue and spending growth, as reflected in outyear State budget gaps. As shown in Figure 19, adjusting for the distortion of prepayment actions, baseline debt service costs would increase by nearly 44 percent between SFY 2026 and SFY 2031.

Figure 19
Projected Debt Service Costs Before and After Prepayments, SFY 2026 – SFY 2031 (in millions of dollars)

Enacted Budget	2026	2027	2028	2029	2030	2031	Change $	Change %
Debt Service	5,750	3,175	3,749	5,944	6,508	8,737	2,987	51.9%
Prior Prepayments	(5,160)	(3,060)	(2,500)	(2,500)	0	0		
SFY 2026 Prepayment	4,495	(2,000)	0	0	(2,000)	(495)		
SFY 2027 Prepayment	0	1,500	(1,500)	0	0	0		
Total Prepayments	(665)	(3,560)	(4,000)	(2,500)	(2,000)	(495)		
Debt Service Adjusted for Prepayments	**6,415**	**6,735**	**7,749**	**8,444**	**8,508**	**9,232**	**2,817**	**43.9%**

Note: SFY 2026 figures are not actual, audited results.

Source: New York State Division of the Budget

Debt service prepayments are typically implemented in the closing days of each fiscal year, as available resources become better known, and have largely prioritized near-term savings to reduce budget gaps over the four-year Financial Plan horizon. Alternatively, greater priority could be placed on long-term debt reduction, thereby generating more substantial and recurring savings over a longer-term horizon with enhanced present value results. This would also create additional recurring capacity under the State's debt cap, more consistent with recent years' increased use of pay-as-you-go to avoid further increases to the State's debt burden. The $25.6 billion of debt service prepayments in the past five years alone is equivalent to more than 42 percent of total debt outstanding for SFY 2026.

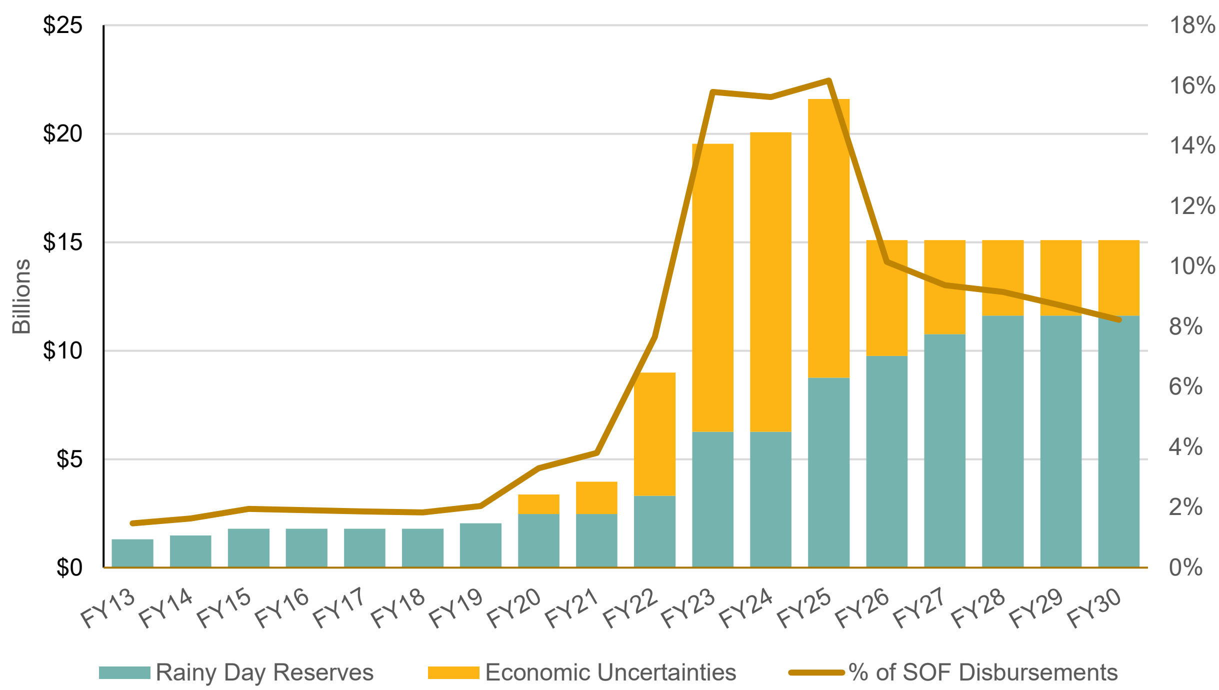
Rainy Day Reserve Funds

The State has two reserve types: statutory reserves, which are codified in State law and have conditions on use as well as repayment requirements, and informal reserves. Generally, informal reserves have fewer statutory restrictions and provide DOB with significantly more flexibility and discretion regarding their use.

The State has two statutory "rainy day" reserve funds that are designated to set aside resources for use in the event of an economic downturn; they have policies for when withdrawals are permissible and when they must be repaid. According to the Financial Plan, DOB considers these rainy day reserve funds, and an informal reserve for "Economic Uncertainties," as the resources primarily available for use during times of economic hardship.

Beginning in SFY 2020, the State began to increase its reserves. In SFY 2024, the State achieved record high levels of reserves, with a combined balance of $21.6 billion ($8.8 billion in the two statutory rainy day reserve funds and $12.8 billion in the informal Economic Uncertainties reserve), which represented 16.2 percent of SOF spending at the time (see Figure 20).

Figure 20
Rainy Day and Informal Reserves as a Percentage of SOF Spending, SFY 2013 – SFY 2030



Notes: Amounts through SFY 2026 are actual results; SFYs 2027 through 2030 are DOB estimates. Rainy Day Reserves reflect the combined balances of the Rainy Day Reserve Fund and the Tax Stabilization Reserve Fund.

Sources: New York State Division of the Budget; Office of the State Comptroller Analysis

Since then, and largely the result of the State using $6.5 billion in available resources to repay the federal unemployment insurance loan,[41] the informal reserve for Economic Uncertainties has dropped and, consequently, the amount of total designated reserves relative to State Operating Funds spending has decreased, and is projected to further decline as total reserves remain stable while SOF spending is projected to increase by $22.4 billion (13.9 percent) over the Financial Plan period.

Comptroller DiNapoli has long advocated for robust statutory rainy day reserves. Since SFY 2022, the State has made sustained increases to these reserves, which grew from $2.5 billion in SFY 2021 to $10.8 billion in SFY 2027.[42] DOB is projecting an additional $862 million deposit in SFY 2028, which would bring the combined balance of the statutory rainy day reserve funds to $11.6 billion, a record level; however, this amount would represent 8.6 percent of General Fund spending. Statutory authorization for the maximum balance of this fund is 25 percent of the General Fund.

Areas of Concern

Federal Funding Risks

The Financial Plan reflects changes to federal funding for healthcare and food security programs resulting from P.L. 119-21. The State took action to preserve healthcare coverage for over a million New Yorkers, but that still resulted in 450,000 New Yorkers losing eligibility, effectively undoing a change requested by the State and approved by the federal government just over two years ago.[43] The future of the Essential Plan is uncertain, with details sparse as to whether it will continue beyond SFY 2028.

Beyond the immediate impact of changed healthcare finances, the Financial Plan identifies risks associated with changes to the Supplemental Nutrition Assistance Program (SNAP). Historically, SNAP benefits have been fully federally funded, with administrative costs shared equally between the federal government and states. Under P.L. 119-21, however, states may be required to assume a share of SNAP benefits costs beginning in federal fiscal year 2028, depending on program payment error rates, and the state share of administrative costs increases to 75 percent from 50 percent beginning in federal fiscal year 2027.[44] The Financial Plan notes that spending for the Office of Temporary and Disability Assistance (OTDA) "in FY 2027 reflects projected costs for the anticipated fiscal penalty assessed to the State related to the SNAP quality control error rate to be paid to the Federal government on behalf of the local districts, as well as additional administrative costs sharing increases" resulting from P.L. 119-21.[45] While the Financial Plan does not quantify these costs, one estimate is that this could result in the State having additional costs of almost $1.2 billion.[46]

Federal funding uncertainty extends beyond these federal law changes, as there may be other changes coming that further shift the federal-state fiscal dynamic. For example, a recent proposal to make regulatory changes to the oversight, allocation, and requirements relating to federal grants would significantly alter the existing framework, potentially allowing for the politicization of federal grants and providing more flexibility for the federal Office of Management and Budget (OMB) or other federal agencies to terminate grants. Adoption of this rule would introduce a significant new structural risk to the State's finances and upend long-term budget and capital planning, potentially subjecting the State to stranded costs and fiscal hardship.

Given the many attempts the State has seen by the federal government to freeze or withhold funds, as previously reported by the Office of the State Comptroller, these changes could put at risk a sizeable amount of federal grants and threaten the State's ability to provide critical services to New Yorkers.

Economic Concerns Compounding

Policies initiated at the federal level impacting trade and immigration had adverse economic consequences in 2025. Increased tariffs on most of the nation's trading partners fed into higher inflation and reduced trade in manufactured goods, the state's largest export.[47] The higher tariffs along with immigration restrictions resulted in a decline in tourists to New York. With the number of visitors, particularly from Canada, decreasing, employment in travel-related industries suffered; job losses occurred in both Western New York and the North Country.[48]

While the U.S. Supreme Court struck down many of the higher tariffs at the beginning of 2026, some remained while the administration has explored amending tariffs on specific goods rather than specific countries. In addition, the war with Iran, which caused double-digit increases in gasoline and fuel oil prices, along with elevated utility prices, resulted in inflation accelerating from 2.4 percent year-over year in January to 4.2 percent in May, the highest year-over-year change since April 2023.[49]

Tourism to the U.S. and New York continues to lag. Through May, there were 627,300 fewer overseas visitors nationwide compared to the same period last year, over 240,400 less to the state.[50] While visitors from Canada have rebounded, they were still slightly lower, nearly 26,300 fewer year-over-year through May.[51]

Employment growth in New York slowed in 2025 and is projected to slow further in 2026. Through May, job gains have been uneven. The year-over-year increase in the average number of jobs for the first five months was nearly 8,400, less than 10 percent of the year-over-year gains for the same period in 2025.[52]

Slower employment growth contributes to slower income growth, as well as adversely affecting consumption. Both of these factors affect the State's largest revenue sources: the personal income tax and the sales and use tax. In addition, as noted in previous reports, the personal income tax is heavily reliant on Wall Street performance, in relation to both bonuses paid to financial sector employees and capital gains earned by high-income taxpayers.[53] The volatility associated with this reliance is a longstanding area of concern.

Structural Budget Imbalance

DOB's projections of $277.0 billion in All Funds spending represent an increase of 7.0 percent from SFY 2026. Spending growth in SOF is 8.3 percent year-over-year and General Fund (including transfers) spending growth is 9.1 percent when excluding the one-time transfer to repay the federal unemployment loan.[54] State spending is surging at a time when the federal government is shifting costs onto the State or threatening to pull back, freeze, or limit federal support.

To prevent such gaps from growing, new recurring spending should be matched with recurring revenues. Apart from decoupling from recently enacted federal tax provisions related to business expenses, no major recurring revenue changes were included in the Enacted Budget. However, this marks the second time "temporary" rates on corporate franchise taxes were extended.

In addition, finding efficiencies and savings in government could help offset some of the new spending included in the Enacted Budget. The Financial Plan notes $300 million in State Operations savings – as included in the Executive Budget – is being used to accommodate future workforce spending, demonstrating that finding such efforts can help defray the trajectory of spending. There may be other savings that result from regulatory changes that seek to streamline government services, such as those recently announced as part of the EXPRESS NY initiative. On July 8th, the Governor signed Executive Order 61, requiring a review of State regulations to reduce inefficiencies, review fines, fees and penalties, and identify redundant reporting requirements. Initiatives that increase government efficiency as well as decrease the administrative burden on New York's residents and businesses should continue to be pursued, whether by improving government operations, using technology, or leveraging the expertise of government employees.

In addition, sometimes spending initially identified as "one-time" occurs repeatedly. Examples of this are increased financial support for distressed hospitals, the 2 percent increase in Foundation Aid for all school districts, and some temporary unrestricted local assistance. Despite being characterized as non-recurring, this spending is repeated in subsequent budgets, creating uncertainty for the recipients of the aid and potentially understating future state spending.

Increased spending pressure continues to strain the State's ability to find structural budget balance and puts into question the State's future ability to make important investments. If revenue only meets and does not exceed current projections, choices will need to be made to either reduce spending or increase revenue. In the case of a downturn where revenue does not meet projections, those choices will only get more difficult.

Static Reserves

The State's record reserve levels, accomplished within the past few years, are a fiscal achievement, for which policymakers deserve credit. As Comptroller DiNapoli has consistently explained, having robust reserves provides a cushion against revenue volatility, economic downturns, unexpected spending pressures, and potential issues with anticipated federal funding. However, reserves are remaining flat at a combined $15.1 billion – meaning that their effectiveness is diminishing as the budget grows, potentially limiting the State's ability to weather fiscal challenges in the years ahead.

Reserve levels should ideally keep pace with the growth in State spending and reflect the volatility of the State's revenues. In recent years, the federal-state fiscal relationship has been shifting in ways that have placed increased financial pressure on the State.

Long-term Liabilities

The State commendably continues deposits to the Retiree Health Benefits Trust Fund, with $250 million expected annually, and projects $33.3 billion of pay-as-you-go capital over the next five years to reduce borrowing. However, State liabilities for post-employment benefits (OPEB) and long-term debt are among the highest in the nation;[55] the State's SFY 2025 Annual Comprehensive Financial Report reported a net OPEB liability of $60.6 billion and total debt outstanding of $62.2 billion. Over time, meeting these important obligations to retirees and bondholders may heighten pressures on the operating budget.

Debt Practices

The Office of the State Comptroller has reported consistently on the State's high and growing debt burden, particularly its overreliance on backdoor borrowing by public authorities and use of debt gimmicks. DOB projects total State-Supported debt outstanding to grow by nearly 64 percent over the next five years— nearly all of which results from backdoor borrowings. The Comptroller's Roadmap for State Debt Reform recommends policymakers restore prudent debt policies by establishing comprehensive and binding constitutional debt limits. This would increase transparency and accountability to New York's voters and establish responsible and sustainable best practices to govern the use of State debt.

Contracts Review and Oversight

The Enacted Budget continues the inclusion of troubling provisions that erode the Comptroller's independent oversight of State contracts and expenditures. The Enacted Budget's changes include increases to various Office of the State Comptroller (OSC) contract and expenditure approval thresholds, including:

- Increases certain discretionary purchasing thresholds to $150,000 for most state agencies, the State University of New York (SUNY), SUNY Construction Fund, and the City University of New York (CUNY).
- Increases thresholds for advertising procurements to $150,000 for most State agencies, SUNY, SUNY Construction Fund, CUNY, and CUNY Construction Fund.
- Increases certain thresholds for OSC contract approval to $150,000 for the Office of General Services (OGS), OGS customer agencies serviced by the Business Services Center, CUNY and the CUNY Construction Fund.

While the Enacted Budget reduces the increased discretionary procurement thresholds from those proposed in the Executive Budget, these changes still exempt significant public spending from OSC oversight authority and a competitive procurement process.

The Enacted Budget exempts approximately $1.5 billion from OSC oversight and a competitive bidding process. An additional $3 billion can be disbursed without competitive bidding based on language that preempts Section 163 of the State Finance Law or permits a non-competitive award.

Prolonged Budget Process

The SFY 2027 budget was not enacted until May 27, 2026, continuing a trend of late budgets in recent years. Delayed enactment creates significant operational challenges for school districts, local governments, nonprofit providers, healthcare institutions, and many other entities that rely on timely State funding to plan staffing, contracts, and services. During school budget voting on May 19, 2026, districts faced uncertainty because the limited information available did not accurately reflect the amount of School Aid that would ultimately be authorized.

Figure 21
State Budget Enactment Dates, SFY 2017 – SFY 2027

State Fiscal Year	Date Budget Passed	Days Late
2017	April 1	1
2018	April 9	9
2019	March 30	-1
2020	March 31	0
2021	April 2	2
2022	April 7	7
2023	April 8	8
2024	May 2	32
2025	April 20	20
2026	May 8	38
2027	May 27	57

Source: Office of the State Comptroller.

Despite the prolonged process, many budget bills were passed using messages of necessity, limiting the time available for legislators, stakeholders, and the public to meaningfully review major appropriations and policy provisions before final passage.[56]

While preliminary summaries from the New York State Assembly Ways and Means Committee and public announcements by the Governor offered some insight into major budget provisions, detailed financial plan information, particularly for the outyears, was not immediately available upon enactment. The absence of timely, detailed financial projections limits the public's ability to understand how the Enacted Budget will affect the State's fiscal standing over the short- and medium-term. The importance of this information is underscored by the divergence between the announced total for SFY 2027 in All Funds spending and what the Financial Plan showed. On May 7, 2026,[57] agreement was announced on an initial estimate of approximately $268 billion; the Financial Plan projection was $9 billion (3.4 percent) greater at $277.0 billion. While DOB released the Financial Plan two weeks after the final budget bill was enacted, the late passage of the budget will lead to only three financial plan updates in SFY 2027 instead of four.

Endnotes

1 New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 1 (accessed June 12, 2026).

2 New York State Division of the Budget, "Governor Hochul Announces Agreement on FY 2027 State Budget," issued May 7, 2026 (accessed June 12, 2026).

3 For a breakdown on these changes, see page 14 of the Division of the Budget's "FY 2027 NYS Enacted Budget Financial Plan," June 2026. Page 32 provides further detail on the spending additions identified on page 14 (accessed June 15, 2026).

4 For additional information and a breakdown by State Fiscal Year, see page 32 of the Division of the Budget's "FY 2027 NYS Enacted Budget Financial Plan," June 2026 (accessed June 15, 2026).

5 New York State Division of the Budget, "FY 2027 NYS Executive Budget Briefing Book," page 70, January 2026 (accessed May 29, 2026).

6 During the pandemic, the State received substantial federal support. Depending on the type of federal support, these extraordinary federal funds either supplemented, replaced, or were in addition to State spending. Also, at least during SFY 2021, the Division of the Budget managed State resources very conservatively given the unprecedented nature of the pandemic and how it severely impacted New Yorkers, particularly New York City, and overall impacted the State's economy. Another example is how the federal government increased its share of Medicaid reimbursements, which increased the federal share of Medicaid while having the effect of reducing State Medicaid spending. Accordingly, spending during this period differed in ways that make comparisons difficult.

7 New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 53 (accessed June 17, 2026).

8 DOB projects that spending on Medicaid and the Essential Plan (EP) from the federal, State**, and local** governments will total $134.9 billion in SFY 2027. Local government funds are not included in the Financial Plan. See New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 104 (accessed June 18, 2026).

9 New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 97 (accessed June 17, 2026).

10 New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 97 (accessed June 17, 2026).

11 New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 12 (accessed June 17, 2026).

12 New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 106 (accessed June 16, 2026).

13 New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 108 (accessed June 16, 2026).

14 New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 50 (accessed June 16, 2026).

15 New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 47 (accessed June 16, 2026).

16 New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 135 (accessed June 16, 2026).

17 Federal funding for the Essential Plan is calculated as 95 percent of the premium tax credits (PTCs) that enrollees would otherwise receive through the ACA Marketplace. P.L. 119-21 eliminated PTC eligibility for lawfully present immigrants who do not meet the statute's qualifying immigration status criteria, directly reducing federal pass-through funding to the program. See Centers for Medicare & Medicaid Services, Letter from Peter Nelson, Deputy Administrator and Director, Center for Consumer Information and Insurance Oversight, to James V. McDonald, Commissioner, New York State Department of Health, Re: Termination of New York's Section 1332 State Innovation Waiver (March 20, 2026), available at: Response to NY Termination Approval (accessed June 17, 2026).

[18] New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 47 (accessed June 16, 2026).

[19] New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 47 (accessed June 16, 2026).

[20] U.S. Centers for Medicare and Medicaid Services Press Release, "CMS Announces $50 Billion in Awards to Strengthen Rural Health in All 50 States," December 29, 2025 (accessed May 29, 2026).

[21] New York State Department of Health PowerPoint Presentation, "Rural Health Transformation Program – Application & Process," January 2026 (accessed May 26, 2026).

[22] See also National Health Law Program, "Why Medicaid is Important for Rural Health," January 2025 (accessed June 1, 2026).

[23] New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 49 (accessed June 16, 2026).

[24] See Chapter 56 of the Laws of 2026, Education, Labor and Family Assistance Article VII bill, Part A.

[25] DOB, "Briefing Book | NYS FY 2027 Executive Budget," January, 2026, page 53 (accessed May 31, 2026).

[26] See Chapter 56 of the Laws of 2026, Education, Labor and Family Assistance Article VII bill, Part A.

[27] DOB, "FY 2027 Executive Budget Briefing Book," page 90 (accessed June 1, 2026).

[28] The 30-Day amendments added $500 million for New York City, $30 million for Buffalo, and increased Temporary Municipal Assistance by $100 million over the original Executive Proposal.

[29] The $695 million to New York City is comprised of: $500 million in unrestricted aid, with $10 million allocated to the United Fire Officers and United Firefighters Associations' employee benefit fund; a $150 million rebate of a SFY 2026 sales tax intercept from the City that was funding the State Distressed Provider Assistance Account (note: this intercept was also reversed through to its current expiration in March 2028), and $45 million for other costs to offset historical public health costs.

[30] DOB estimates that the costs of the two tentative five-year agreements for the Civil Service Employees Association (CSEA) and United University Professions (UUP), are $2.7 billion and $2.9 billion, respectively.

[31] Local governments and school districts will incur added costs that are not reflected in the Financial Plan, such as from changes to reduce the retirement age for Tier 6 members of New York State and City Teachers Retirement Systems.

[32] U.S. Bureau of Economic Analysis, "Table 1.1.1. Percent Change from Preceding Period in Real Gross Domestic Product" (accessed Monday, June 15, 2026).

[33] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers, accessed on June 15, 2026.

[34] U.S. Bureau of Labor Statistics, Current Employment Statistics, non-seasonally adjusted average through May 2026 accessed on June 18, 2026

[35] Surviving spouses (widows or widowers) are included with married, joint filers. Filers who can be claimed as a dependent on another taxpayer's return are not eligible. Income thresholds are those related to tax year 2024.

[36] New York State Department of Taxation and Finance, Preliminary Tax Year 2024 PIT Population Study File.

[37] Currently, non-resident and part-year resident PIT filers can claim a non-refundable credit.

[38] New York State Department of Taxation and Finance, Preliminary Tax Year 2024 PIT Population Study File.

[39] "Backdoor" debt is issued by public authorities for a State purpose, for which the State is contractually obligated to repay the debt service, subject to annual appropriation. Backdoor debt circumvents the Constitutional requirement for voter approval of State debt.

[40] Moody's Ratings, "State pension liabilities continue to decline, improving leverage metrics", September 19, 2025.

[41] New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 141 (accessed June 18, 2026). Note that the repayment amount was originally estimated to be $7 billion, but was actually $6.5 billion.

[42] The State made a $1 billion deposit to the Rainy Day Reserve Fund to complete the deposit scheduled in the Financial Plan.

[43] New York State Department of Health, "New York State Department of Health Provides Update on Federal Approval to Preserve Health Coverage for 1.3 Million New Yorkers," released March 23, 2026 (accessed June 17, 2026).

[44] United States Department of Agriculture, "SNAP Provisions of the One Big Beautiful Bill Act of 2025 – Information Memorandum," dated September 4, 2025 (accessed June 17, 2026). See, specifically, discussions of Section 10105 10106 in relation to Marching Funds Requirements and Administrative Cost Sharing, respectively.

[45] New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 124 (accessed June 17, 2026).

[46] Federal Funds Information for States, "FY 2025 SNAP Payment Error Rates Point to Increased Costs for States," page 4, released June 25, 2026 (accessed June 26, 2026).

[47] See Office of the New York State Comptroller, "Economic Impact of Tariffs", April 2026.

[48] See Office of the New York State Comptroller, "Federal Impact: Travel and Tourism to New York" , April 2026

[49] U.S. Bureau of Labor Statistics, Consumer Price Index, All Items in U.S. City Average, All Consumers, not seasonally adjusted, accessed on June 26, 2026.

[50] International Trade Administration, International Visitors Arrivals Program. I-94 Monthly Summary and Analysis Reports, accessed on June 26, 2026.

[51] U.S. Customs and Border Protection, Traveler and Conveyance Statistics, accessed on June 26, 2026.

[52] New York State Department of Labor, Current Employment Statistics, Non-seasonally adjusted employment, hours, and earnings, accessed on July 3, 2026.

[53] See the Report on the State Fiscal Year 2024-25 Enacted Budget Financial Plan, Report on the State Fiscal Year 2023-24 Enacted Budget Financial Plan, State Fiscal Year 2022-23 Enacted Budget Financial Plan, among others.

[54] New York State Division of the Budget, "FY 2027 NYS Enacted Budget Financial Plan," June 2026, page 31 (accessed June 18, 2026).

[55] Moody's Ratings, "State pension liabilities continue to decline, improving leverage metrics", September 19, 2025.

[56] Two budget bills – the Education, Labor, and Family Assistance (ELFA) and Public Protection and General Government (PPGG) Article VII bills – were passed on May 20th and May 21st using messages of necessity even though voting on budget bills continued for several days after, with the remaining budget bills all passing on May 27th. While voting on May 20 provided an opportunity for policymakers to take some action on the budget, the use of a message of necessity in these particular cases raises questions and limits transparency.

[57] New York State Division of the Budget, "Governor Hochul Announces Agreement on FY 2027 State Budget," issued May 7, 2026 (accessed June 12, 2026).

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