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Overview of the Enacted Budget Financial Plan

Four key takeaways from the state budget plan for fiscal year 2027

Last week, the New York State Division of the Budget (DOB) published the financial plan for the fiscal year 2027 enacted budget. The plan recognizes substantial federal funding that prevents a complete shutdown of the Essential Plan, though it does nothing to prevent the impending disenrollment of 450,000 New Yorkers. Beyond this, the plan reflects support for New York City, that fiscal reserves are at record highs, and that manageable outyear budget gaps will close if revenue grows, even at a subdued pace.

1. Despite unlocked federal funding, the Essential Plan remains on a cliff edge

The enacted budget financial plan projects that the state will spend a total of $277 billion combined state and federal funds in fiscal year 2027. This is $9 billion above the level reported when lawmakers announced a budget agreement last month, an unusual disjuncture.

This difference is driven entirely by the financial plan's recognition of $11 billion in funding unlocked by the federal government's March 2026 approval of a change to the arrangement used to finance the Essential Plan, allowing it to continue providing coverage to New Yorkers earning less than 200 percent of the federal poverty level and avoiding the worst-case scenario shut down outlined in the executive budget.[1] Nevertheless, the enacted budget will result in 450,000 New Yorkers earning between 200 and 250 percent of the poverty level losing coverage beginning on July 1, 2026.

2. Aid to New York City consists primarily of authorized savings—not recurring funding

In February 2026, New York City Mayor Zohran Mamdani revealed profound future budget shortfalls masked by the previous administration. Because the state controls much of the city's required spending and most of its ability to raise revenue, the city's fiscal stress became a major point of contention in the state budget.

The enacted budget includes a total $5.4 billion in support for New York City across the city's fiscal years 2026 and 2027. Because New York City rolls current year surpluses into the subsequent fiscal year, state aid for the current year (fiscal year 2026) helps the city close the fiscal year 2027 budget gap. Importantly, a majority (52 percent) of state support simply *authorizes* the city to spend less money and

[1] Fiscal Policy Institute, "Statement on Federal Approval to Shrink the Essential Plan," March 23, 2026, https://fiscalpolicy.org/statement-on-federal-approval-to-shrink-the-essential-plan.

just under 10 percent of state support authorizes new revenue. Direct state funding for the city comprises 38 percent of overall state support; of this, just $700 million is new annual recurring funding to the city.

Figure 1. Enacted Budget support for New York City by broad category ($ in millions)

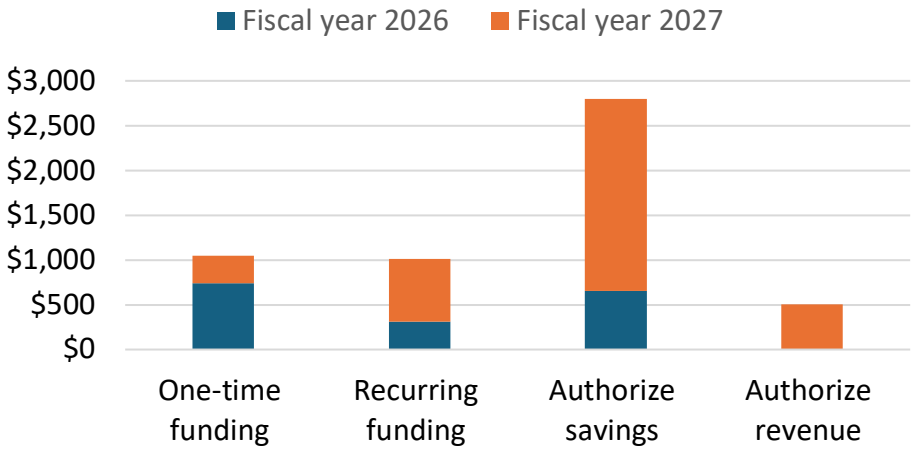


Table 1. Enacted Budget support for New York City by program ($ in millions)

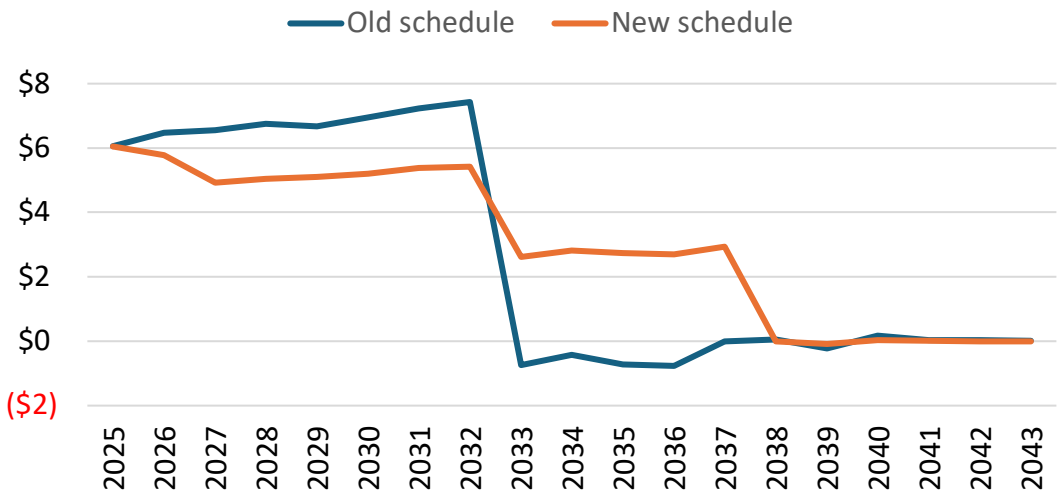
Type of aid	Program	FY 2026	FY 2027	Two-year total
One-time funding		**$740**	**$311**	**$1,051**
	Unrestricted	$658	$161	$819
	End sales tax intercept	$38	$150	$188
	Public health	$45	$0	$45
Recurring funding		**$315**	**$700**	**$1,015**
	Youth programming	$300	$300	$600
	School aid	$0	$233	$233
	Public health	$15	$58	$73
	Death benefits	$0	$109	$109
Authorize savings		**$652**	**$2,144**	**$2,796**
	Pension reamortization	$652	$1,644	$2,296
	Class size mandate	$0	$500	$500
Authorize revenue		**$0**	**$506**	**$506**
	Pied-á-terre tax	$0	$506	$506
Total		**$1,707**	**$3,661**	**$5,368**

Source: New York State Division of the Budget, "Fiscal Year 2027 New York State Enacted Budget Financial Plan," June 10, 2026, https://www.budget.ny.gov/pubs/archive/fy27/en/fy27fp-en.pdf; and New York City Mayor's Office of Management and Budget, "The City of New York Executive Budget Fiscal Year 2027," May 12, 2026, https://www.nyc.gov/assets/omb/downloads/pdf/exec26/mm5-26.pdf.

The enacted budget authorizes New York City to save $2.8 billion in spending across fiscal years 2026 and 2027. Most of this consists of savings yielded by reamortizating the city's payment of unfunded accrued liability (UAL) for its pension funds. The change will extend paydown of the city's UAL from 2032 to 2037, reducing payments by an average $1.7 billion in fiscal years 2027 through 2032. As FPI discusses in a recent UAL reamortization explainer, the new payment schedule does not—and cannot—

affect the pension benefits to which retirees are entitled.[2] Projections of the city's new payment schedule assume that four of the city's five public pension funds will participate in the change while the police pension fund will not.

Figure 2. New York City UAL payments under former and new schedule (dollars in billions)



Source: NYS FY 2027 Enacted Budget Financial Plan.

The enacted budget authorizes two further actions to support the budget. First, the state gave the city an additional two years to meet a state mandated cap on class sizes in its public schools, extending the deadline to school year 2029–2030. Second, the state granted the city permission to adopt a pied-á-terre tax on second homes worth more than $5 million.

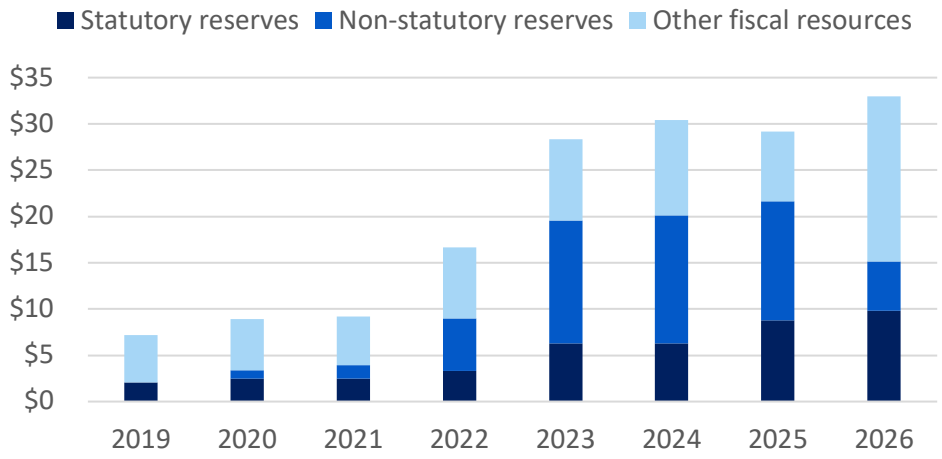
The enacted budget also includes $2.1 billion in new funding to New York City across fiscal years 2026 and 2027. Half of this funding consists of one-time aid, while just $700 million is annual recurring state funding. An additional $300 million is recurring funding phased in during fiscal year 2026 that helps close the following year budget gap.

3. Fiscal reserves continue to reach record highs

New York State will end fiscal year 2026 with $33 billion in reserves, an all-time high. This level is $3 billion above projections made in January 2026 as part of the executive budget. The higher-than-expected reserves reflect an end-of-year surplus driven primarily by the transaction risk reserve, a fiscal instrument the DOB uses to reduce its projected revenue by $2 billion. Only at the end of each fiscal year does DOB "recognize" the money in this reserve, lifting final revenue for the year by $2 billion.

[2] Andrew Perry, "Explainer: The Proposed Restructuring of New York City Pension Payments," Fiscal Policy Institute, May 13, 2026, https://fiscalpolicy.org/explainer-the-proposed-restructuring-of-new-york-city-pension-payments.

Figure 3. New York State fiscal reserves, fiscal years 2019 to 2026 (dollars in billions)



Source: NYS FY 2027 Enacted Budget Financial Plan.

4. Projected future gaps are driven by pessimistic revenue outlook

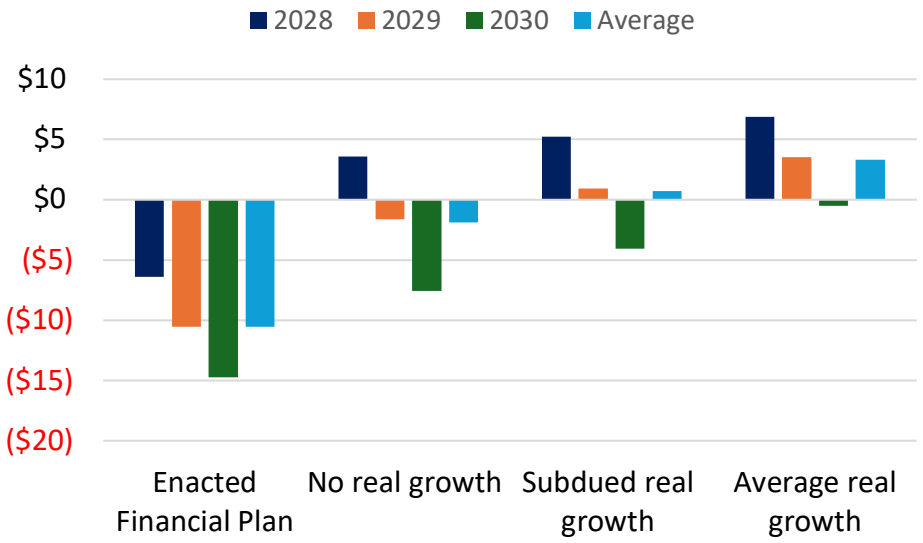
As ever, the enacted budget is balanced for the current fiscal year and projects gaps for future years. These gaps are driven by excessively cautious revenue forecasts, which are in turn the result of pessimistic tax projections and the transaction risk reserve (discussed above).

Strikingly, the financial plan projects flat *nominal* growth over the next two fiscal years (2026 through 2028), implying negative *inflation-adjusted* growth through fiscal year 2030. Such levels of revenue depression occur only in major recessions.

Figure 3 shows several alternatives. In the more plausible scenario that revenue grows in inflation-adjusted terms, the state is likely to continue ending each fiscal year in surplus. If revenue were to reach only half of its average inflation-adjusted growth rate over the last twenty years, fiscal years 2028 through 2030 would close with an average annual surplus of $700 million.[3] If revenue growth meets its average inflation-adjusted rate, surpluses would rise to $3.3 billion in each fiscal year.

[3] FPI analysis uses a trimmed mean of inflation-adjusted revenue growth between fiscal years 2007 and 2026.

Figure 4. Budget gaps under various revenue growth scenarios (dollars in billions)



Source: NYS FY 2027 Enacted Budget Financial Plan.