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Statement on the FY 2027 State of the State



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This afternoon, Governor Hochul delivered her annual address on the State of the State for Fiscal Year 2027. Her address centered affordability in New York, putting forward a flagship new deal with New York City to expand universal childcare statewide. However, the Governor's speech has a glaring omission: the impact of Federal cuts on health insurance for up to one million New Yorkers. Without a more robust plan to support New Yorkers at risk of losing access to Medicaid and the Essential Plan, New York may see the rate of uninsured individuals double from 5 to 10 percent, returning to the state of crisis before the passage of the Affordable Care Act.

As FPI explained in its November brief[a], the State's fiscal outlook remains strong and faces little risk of revenue shortfalls, assuming standard economic growth. On the other hand, the Division of Budget severely underestimates the size of the federal funding cuts from the so-called "One Big Beautiful Bill Act," which will rise from $5.8 billion next year to $14.3 billion by 2030. These cuts will cause fiscal strain throughout the budget and will have the most pronounced impact on Medicaid and Essential Plan participants and safety net hospitals around the state. The Governor and legislators must develop a public insurance option to keep health insurance accessible to those at risk of losing it as a result of Trump's draconian cuts.

Because these spending cuts were imposed to offset federal tax cuts for the wealthy, it is both fair and economically reasonable for the State to recapture those tax cuts as a source of revenue for sustaining public programs. FPI estimates that in the next year alone New York's millionaire-income earners will save over $12 billion on their federal taxes[b] as a result of the Trump tax cuts. The State should levy new revenue measures to maintain essential services cut

by the Trump administration, including Medicaid, SNAP, and the Essential Plan. New York will also need new revenue to achieve long-term affordability goals such as universal childcare and an increase in the supply of rent-regulated housing.

Expanding universal childcare is a cornerstone of Governor Hochul's agenda. The Governor proposed a set of policies that would establish universal pre-kindergarten for four-year-olds across the state and make progress toward universal coverage for two-year-olds (called "2-Care") in New York City (the City already provides universal preschool for three-year-olds). These proposals are commendable steps toward universal childcare. Unfortunately, the Governor has not proposed supporting the program with new revenue, which would be necessary to ensure universality.

The State should enact new revenue[c] measures that can support the fully phased-in annual cost of universal childcare. FPI has proposed plans to do this using State[d] and City[e] revenue.

Links

a https://fiscalpolicy.org/media/pages/policy-and-research/statement-on-fy27-state-of-the-state/6a4ad9d04f-1789771122/2025.12.1-state-budget-outlook.pdf
b https://fiscalpolicy.org/policy-and-research/new-yorks-millionaires-will-get-a-12-billion-federal-tax-cut-next-year
c https://fiscalpolicy.org/policy-and-research/filling-the-gaps-state-tax-policy-after-the-obbba
d https://fiscalpolicy.org/policy-and-research/a-tax-plan-for-statewide-universal-childcare
e https://fiscalpolicy.org/policy-and-research/a-tax-plan-for-universal-childcare-in-nyc