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FPI Statement on the FY 2027 Executive Budget



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Albany, NY | *Fiscal Policy Institute Executive Director Nathan Gusdorf issued the following statement on behalf of FPI:*

Earlier this afternoon, Governor Hochul released the Executive Budget[a] for fiscal year 2027. Highlights include the Governor's commitment to partnering with Mayor Mamdani in pursuing universal childcare and the State's acknowledgement of its strong fiscal condition.

But the budget shows no plan to prevent the twin crises that will result from federal funding cuts under the so-called "One Big Beautiful Bill Act" (OBBBA): nearly one million New Yorkers could lose Medicaid coverage and 350,000 New Yorkers could go hungry as a result of restrictions on SNAP benefits.

Moreover, the Executive Budget makes no authorization for New York City to raise its own taxes, a step that will be necessary for Mayor Mamdani to close the deficits left behind by the Adams administration and pursue the affordability agenda on which he was elected.

The Fiscal Outlook

As FPI has consistently shown[b], the State's revenue forecasts tend to be unrealistically pessimistic, leading to recurring annual surpluses. The State now expects state funds revenue of $153 billion this year—$11 billion more than was projected at the start of the fiscal year—and projects a combined $5.9 billion surplus over this fiscal year and one following. These revenues will allow the State to provide temporary funding for childcare expansion in New York City.

The Executive Budget falls short by not including any new revenue measures that would enable the State to backfill cuts to federal aid under the OBBBA. However, it does take the important step of decoupling state tax law from OBBBA corporate tax cuts that would give corporations nearly $3 billion in state tax benefits over the next four years. The Executive Budget also extends the current corporate tax rate of 7.25 percent for corporations with over $5 million in profits, preventing an imminent loss of one billion dollars in annual revenue under the currently planned corporate tax cut.

The State must stop pretending that the taxes funding permanent spending are temporary. At best, this is a source of confusion in budget negotiations; at worst, it is an open invitation for a future governor to refuse to enact extensions and force through draconian spending cuts.

Authorization for New York City to enact its own tax increases is notably absent from the Executive Budget. Such increases are needed to cover the deficit left by the Adams administration and support the other elements of Mayor Mamdani's affordability agenda.

FPI previously estimated[c] that millionaires throughout New York State will save $12 billion this year from federal tax cuts under the OBBBA. Approximately half of that—$6 billion—will flow to millionaires living in New York City. Even if the Mayor is able to enact the two percent millionaire income tax on which he campaigned, the city's millionaires will still see overall tax savings under the OBBBA.

Childcare and Education

The State proposes $1.7 billion in new investments in childcare this year, rising to $2.5 billion in subsequent years. These expansions will fully fund universal pre-kindergarten across New York State and the first stages of free, universal childcare for two-year-olds ("2-Care") in New York City. They will also increase funding for childcare vouchers available to low-income families. While these investments represent a major step toward universal childcare in New York, critical questions remain around the long-term viability of 2-Care in New York City and the feasibility of achieving full uptake without a new revenue source. A fully universal program would also extend funding to childcare programs supporting the first two years of a child's life.

Healthcare

The Executive Budget shows that Medicaid spending will grow by an apparent 11.4% in fiscal year 2027, rising from $34.3 billion to $38.2 billion. The budget attributes this dramatic increase to factors such as utilization and enrollment growth—and any reasonable observer might think that this is an unsustainable rate of growth—but this account is misleading.

Of the projected $3.9 billion increase in Medicaid spending, $2 billion is the result of federal cuts to the Essential Plan (a form of Medicaid-like health insurance provided under the Affordable Care Act). The State has made a bid to the federal government to sustain the Essential Plan, but the Executive Budget assumes that this bid will not be approved. In that scenario, the Essential Plan would be eliminated and the State would be legally required to cover an additional 500,000 people through Department of Health Medicaid at a cost of $2 billion per year. If the Essential Plan transition does receive federal approval, state-share Medicaid spending will be $2 billion less than currently projected—freeing up resources that should be used to maintain coverage for those threatened with loss of health insurance under the OBBBA.

State Medicaid spending for existing populations and programs is projected to rise by a relatively modest 5.5% per year.

Links

a https://www.budget.ny.gov/pubs/archive/fy27/ex/book/briefingbook.pdf
b https://fiscalpolicy.org/policy-and-research/the-state-budget-outlook
c https://fiscalpolicy.org/policy-and-research/new-yorks-millionaires-will-get-a-12-billion-federal-tax-cut-next-year