

First Look at the Executive Budget

Fiscal Policy Institute
January 22, 2026



Agenda

- I. Intro: Political + Economic Landscape (5 min)
- II. New York's Fiscal Standing (7 min)
- III. Steps Towards Universal Childcare (7 min)
- IV. Healthcare (7 min)
- V. Other Affordability Policy: Housing and SNAP (5 min)
- VI. Q & A (20–30 min)

I. Intro: Political + Economic Landscape

The Headlines

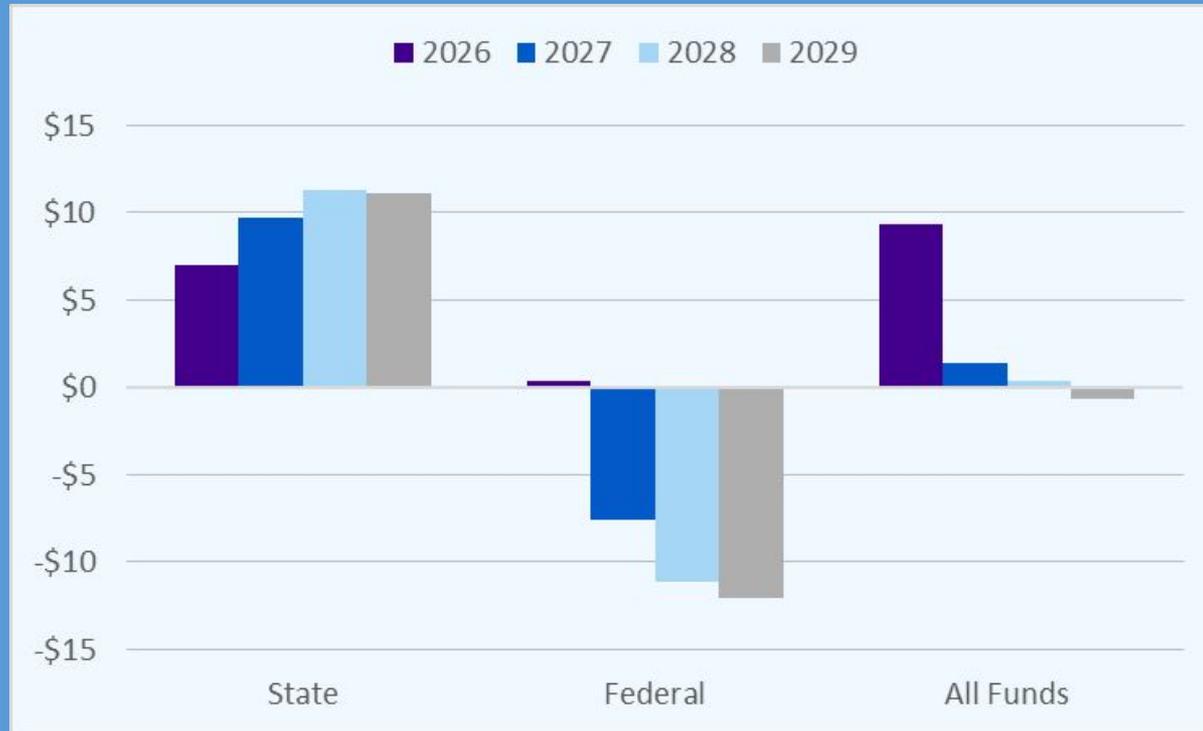
1. New York's fiscal base remains strong despite economic uncertainty
 - a. Extreme inequality in the State drives strong revenues but masks economic distress for many
2. A historic opportunity to fund and establish free universal childcare in NY has been met with positive steps, but has a long way to go.
3. The Governor's budget fails to fully address the severity of federal funding cuts, which will cut healthcare for 1 million and impact 350,000 SNAP recipients

Political Landscape

- Erratic and draconian federal policy making and implementation
 - H.R. 1. cuts cause steep decline in Federal funding to New York, particularly targeted at low-income New Yorkers
 - ~1 million New Yorkers could lose health insurance under Medicaid + Essential Plan cuts
 - SNAP administration and benefits reductions threaten 350,000 NYers
 - Illegal efforts to halt funding for programs like WIC, mental health, etc. that NY has challenged in court (successfully, so far)

Political Landscape

State's accounting of federal fund declines does not fully address service cuts in Medicaid and SNAP.



Political Landscape

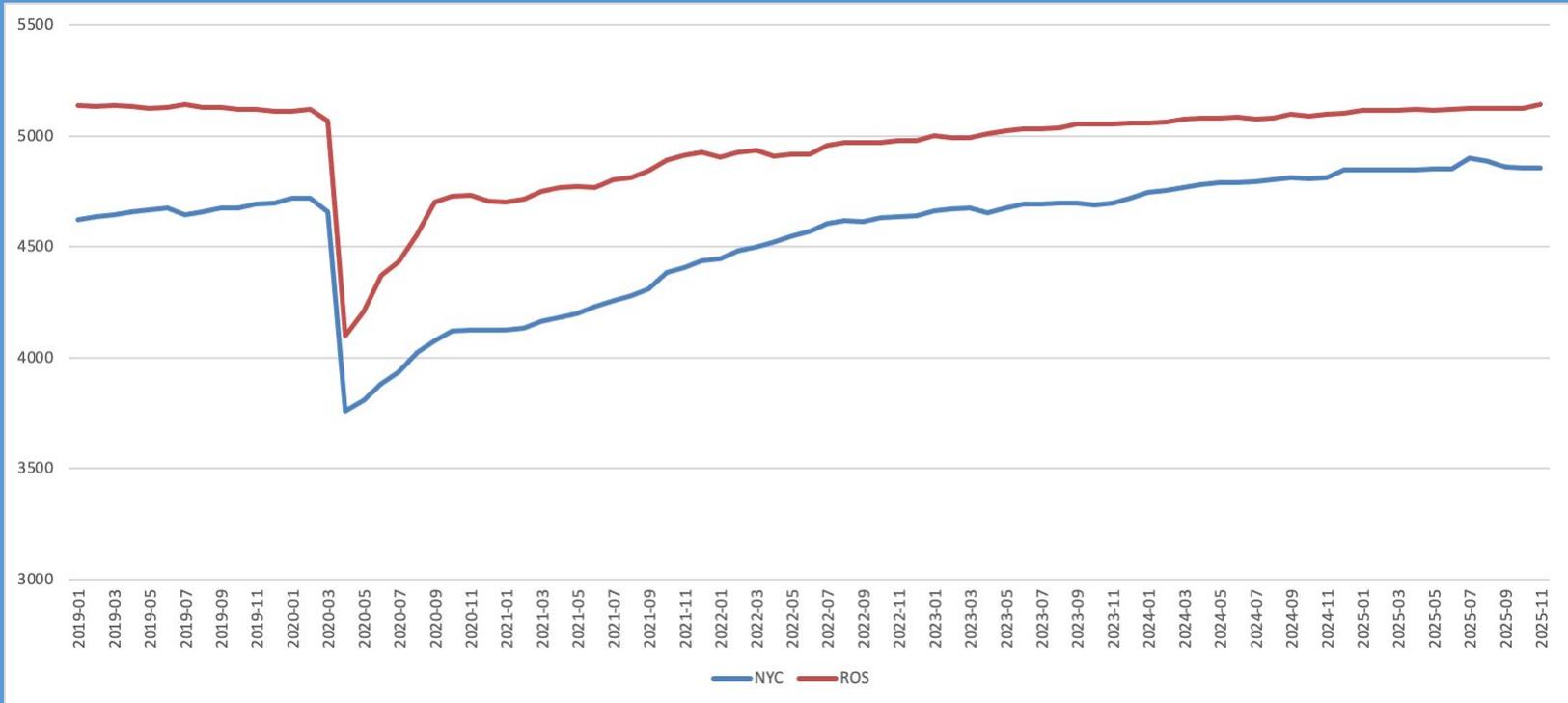
New York City elected democratic socialist Mayor, Zohran Mamdani. The mayor's agenda included:

- **State budget ask to fund universal childcare**
- Rent freeze proposal requiring State support
- Acceleration of public and mixed-income housing development
- Funding needed for free buses

Governor Hochul partnering to implement universal childcare is historic opportunity.

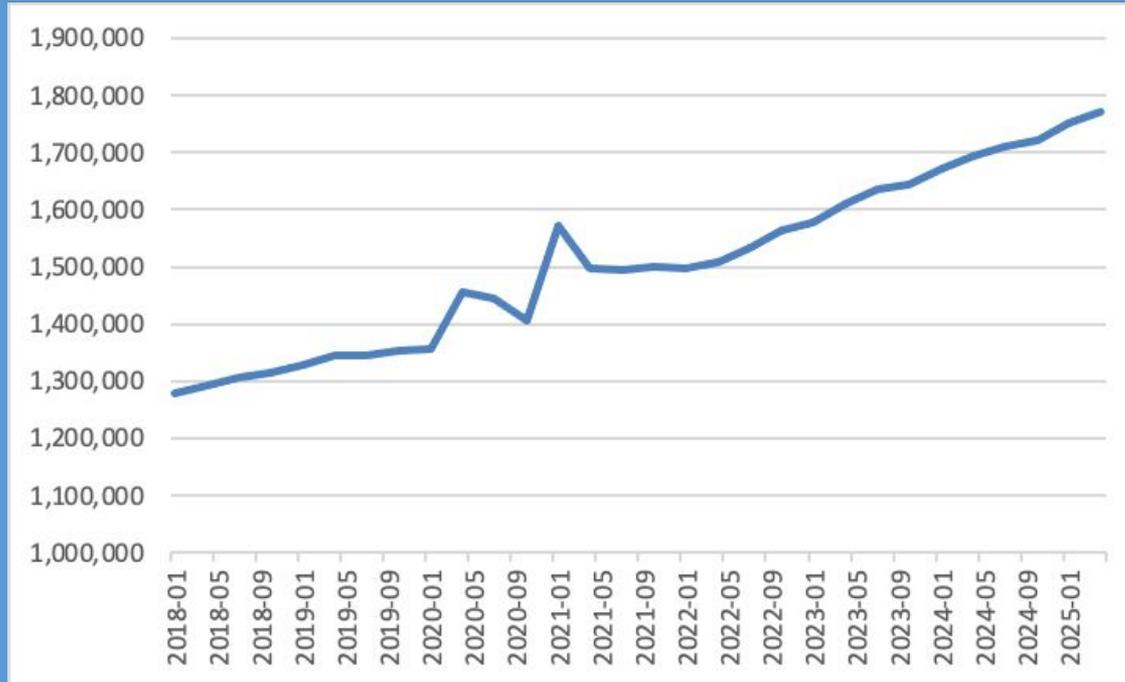
Economic Landscape

Total non-farm employment in the state has flatlined.



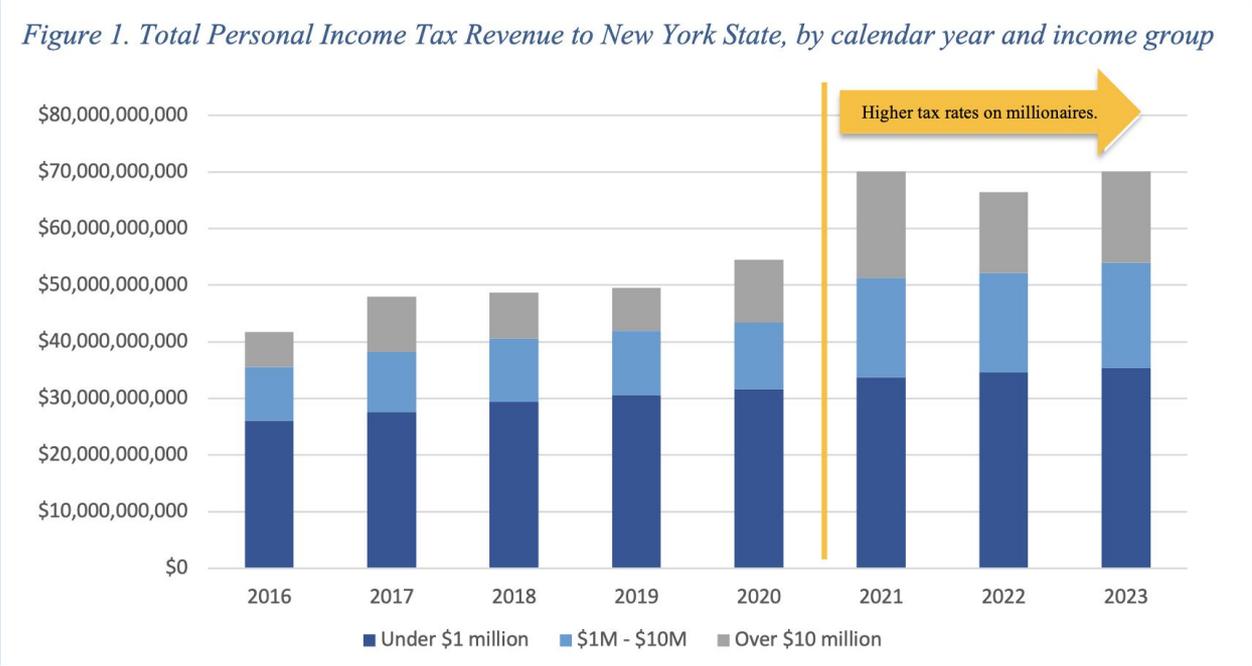
Economic Landscape

Despite employment slowdown, total personal income in the state is growing rapidly—faster than before the pandemic.



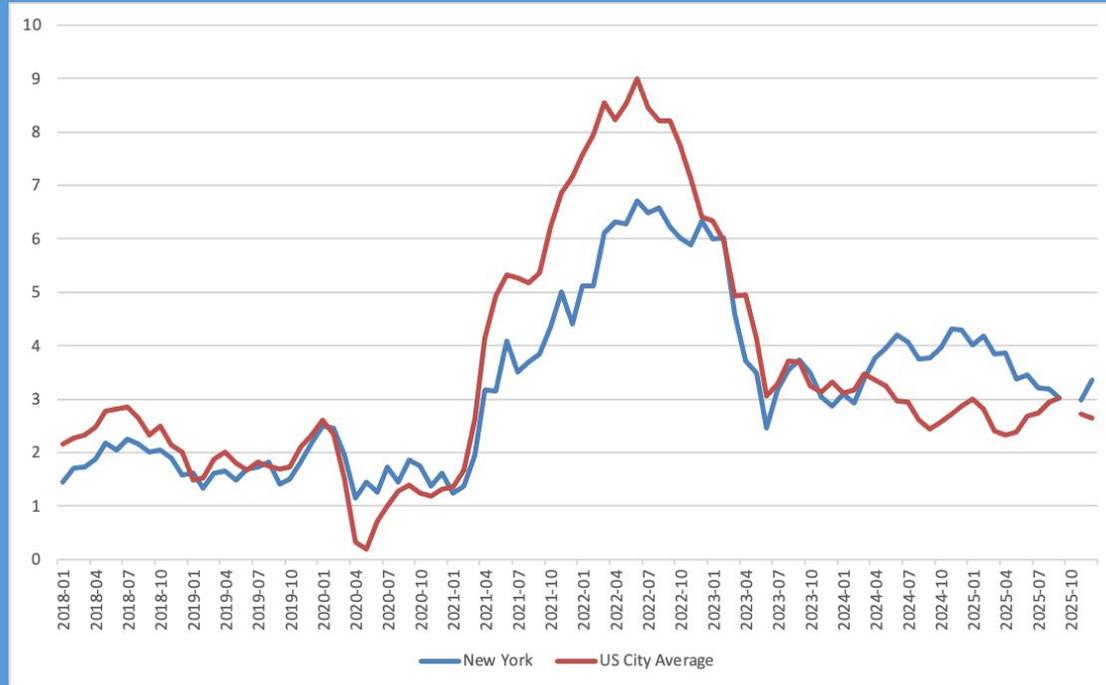
Economic Landscape

State revenues have been very strong, largely due to progressive rate structure and the good fortune of high earners.



Economic Landscape

Price growth remains higher in New York City than around the rest of the country—largely driven by housing costs.



The Bottom Line

- State is in a very strong fiscal position
 - Masks vulnerability of the State's economy, labor market, and cost-of-living
- Can and should do more to address cost-of-living and back-fill service cuts driven by federal policy (H.R. 1.)
- Historic opportunity to achieve universal childcare takes important first steps, with need for more

II. New York's Fiscal Standing

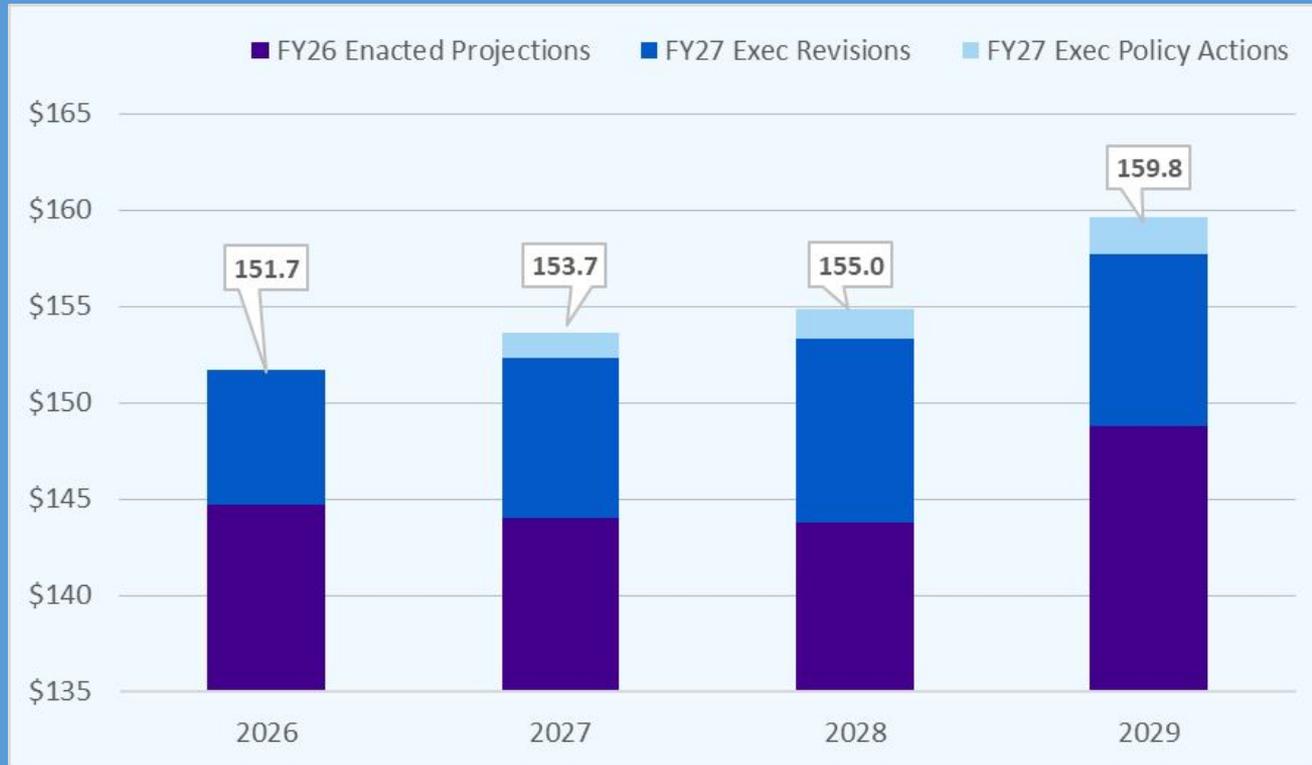
The Bottom Line

- The State is on firm ground with \$12 billion in surpluses through FY 2027
- Surpluses driven by strong revenue
- Surpluses support new FY 2027 spending (e.g. childcare)
- The State retains a pessimistic outlook, leading to modest projected gaps
- Fiscal reserves remain at record levels

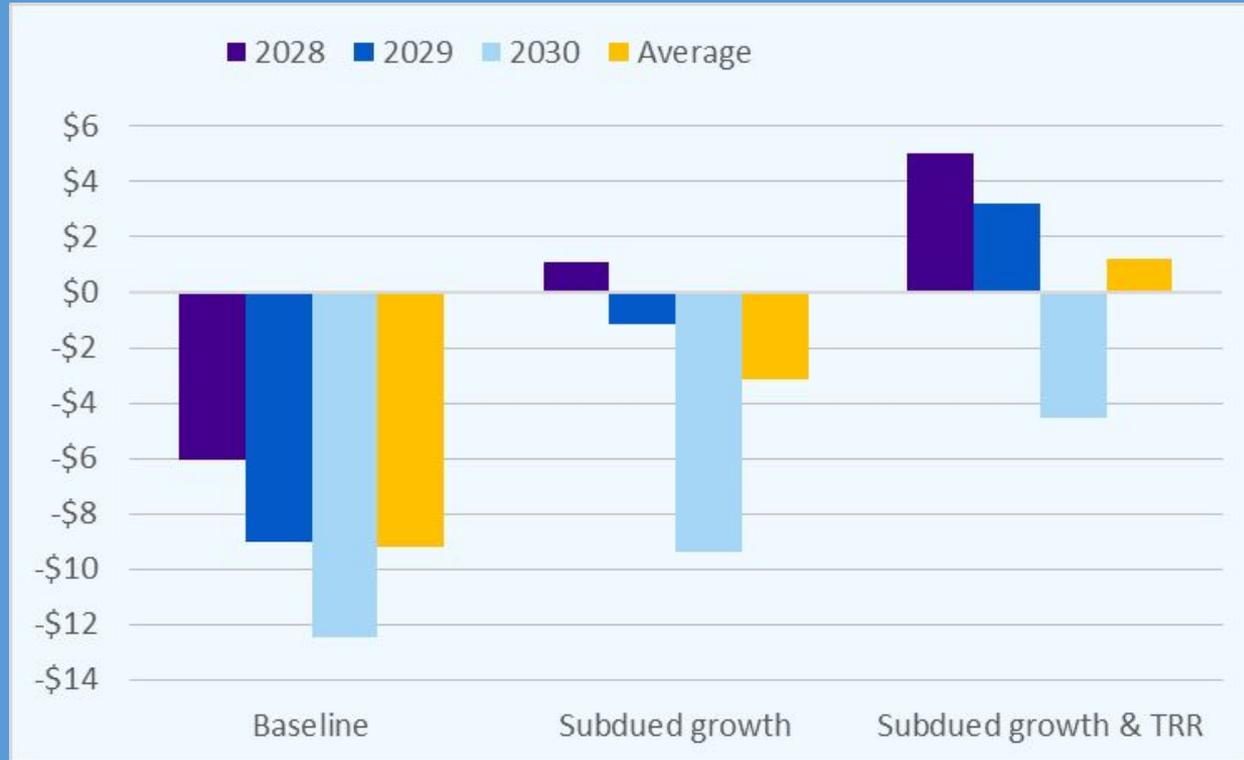
The Fiscal Year Is Ending Surplus

- Division of Budget (DOB) states the collective surplus for FY 2026 & 2027 is \$5.9 billion
- This *understates* the State’s fiscal strength
 - \$2 billion debt service prepayment in FY 2026
 - \$2 billion in “Transaction Risk Reserve” in both FY 2026 & 2027
- Adjusting for these factors:
 - FY 2026 surplus is \$6.4 billion
 - FY 2027 surplus is \$5.5 billion
 - A collective \$11.9 billion in fiscal surpluses

Surpluses Driven by Solid Revenue

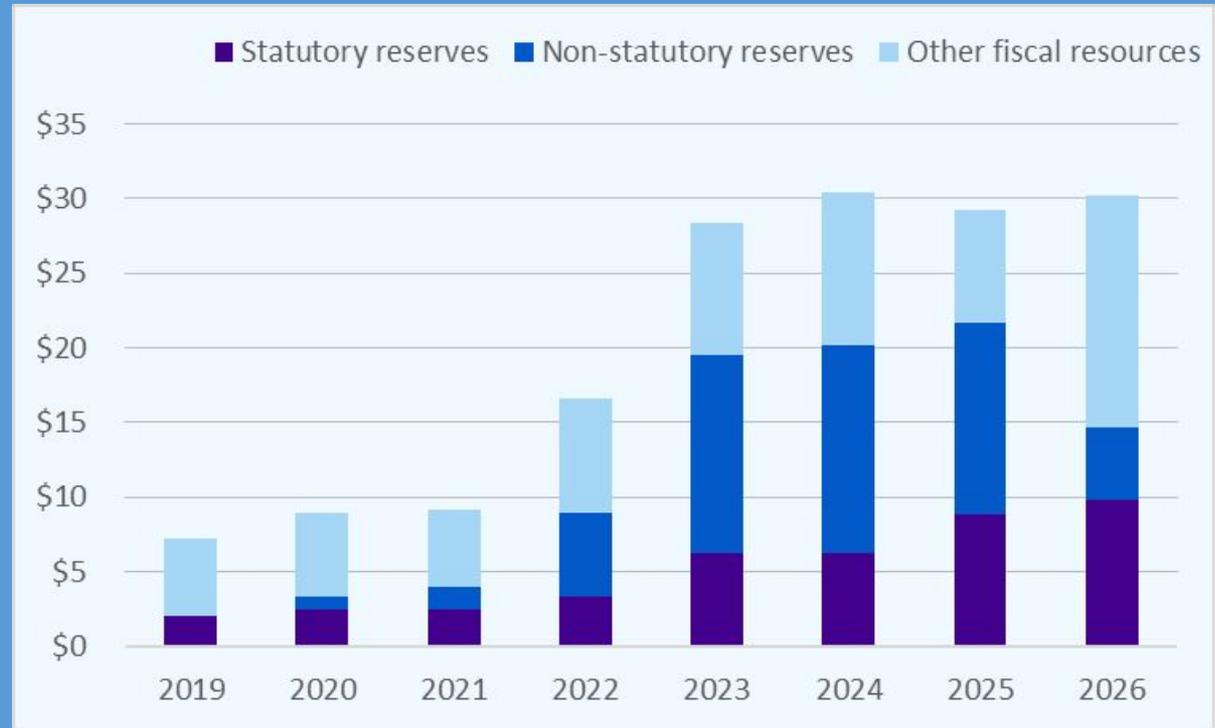


Gaps Are Manageable, Driven by Low Revenue Expectations



Reserves Remain at Record Level

DOB excludes some fiscal resources from its definition of reserves, creating the misleading appearance of a decline in reserves in FY 2026



II. Steps Towards Universal Childcare

The Bottom Line

- Suite of programs represent a major step towards universal childcare
- \$2.7 billion in FY28 will support about 100,000 seats
- Full universal childcare will cost an additional \$5 billion, and support 250,000 more seats
 - Includes living wages not in Governor's proposal

What Would Universal Childcare Look Like?

Age	Current Programs	Executive Proposal	Universal Childcare
Infants (0–1)	Paid Family Leave; means-tested vouchers	Status-quo PFL; expands means-tested vouchers	Expanded PFL; universal system modeled on 2-Care
1	Means-tested vouchers	Expands means-tested vouchers	Expanded PFL; universal system modeled on 2-Care
2	Means-tested vouchers	Launches NYC 2-Care; expands means-tested vouchers	2-Care statewide
3	3-k in most of NYC	Bolsters 3-k in NYC	3-k statewide
4	Pre-k in most of state	Expands Pre-k statewide	Pre-k statewide
5	Kindergarten	Kindergarten	Kindergarten
New Cost	—	\$2.7 billion by FY 2029	Additional \$5 billion

What's the Plan?

- \$1.7 billion in new funding in FY27
- Rises to \$2.7 billion by FY29
- ~100,000 new, free seats for children under 5
- Launches 2-Care in NYC
- Bolsters 3-k in NYC
- Expands pre-k statewide
- Vouchers for all ages (up to 13) statewide
- No funding for increasing wages

What's the Plan for 2-Year-Olds?

- 2-Care in NYC
- Initial phase-in
 - 2,000 seats and \$73 million in FY 2027
- Subsequent years
 - State estimates 30,000 seats (assumes ~50% uptake)
 - ~\$650 million per year

What's the Plan for Preschoolers?

- Statewide Universal Pre-kindergarten
 - ~40,000 new seats
 - \$561 million in FY27
 - Increases per pupil funding to \$10,000 or Foundation Aid amount, whichever is greater
- NYC to receive \$235 million
 - Allows City to bolster 3-k
- Districts in rest of state to receive \$326 million
 - Bolster existing Pre-k programs and expand to new districts

What's the Plan for Everyone Else?

- Child Care Assistance Program (CCAP)
 - \$1.2 billion to clear waitlists and support growth
 - Brings total CCAP spending to \$3 billion
 - May support ~50,000 additional vouchers for children under 5 (can be used for children up to 13)

Where Is the Money Coming From?

- No new revenue
- UPK is a recurring commitment, with obligated funding tied to need level
- CCAP is a recurring commitment, but annual appropriation
- 2C is recurring in financial plan, but not legislatively obligated nor tied to need

Lessons from NYC's 2014 UPK Expansions

- In 2014, the State granted NYC \$300 million per year for UPK expansion
- Funding guaranteed on a recurring basis by state law
 - 2C funding should be guaranteed by state law, not a year-to-year appropriation
- However, state UPK grant was fixed; NYC receives same nominal funding today as it did in 2014 (reduced real value)
 - Grant should be tied to program costs, as is the case with school aid

III. Healthcare

The Bottom Line

- The NYS public healthcare system is facing an existential threat, with ~1 million at risk of losing insurance in the next two years.
- New York **can** prevent loss of coverage: With shrinking enrollment and contained spending growth, we can afford to cover more people.
- The Executive Budget does not achieve this, investing in provider rate increases rather than coverage.
- A wiser use of existing resources could prevent substantial loss of coverage.

New York Medicaid Check-Up

- New York Medicaid is **shrinking**, with total enrollment down 2.4%, and Managed Long Term Care (MLTC) enrollment is virtually flat (up just 2.2%).
- Department of Health (DOH) Medicaid spending for FY26 is \$700M below FY26 Enacted projection.
- Total Medicaid + Essential Plan (EP) spending (state + federal) projected to **decline** by 2.7%, from \$126B to \$123B, reflecting the impact of federal cuts.

Shrinking Enrollment

Program	November 2024	November 2025	Change
Mainstream Managed Care	4,519,940	4,443,849	-1.7%
MLTC Total	369,923	377,960	2.2%
Total Medicaid	6,997,986	6,832,689	-2.4%

Shrinking Total Spending

MEDICAID SPENDING (millions of dollars)									
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Actuals	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected
Federal	53,592 60.0%	59,441 60.3%	66,754 60.1%	65,835 58.3%	72,919 57.9%	65,115 53.1%	59,349 49.7%	60,333 48.9%	62,628 48.6%
State	27,693 31.0%	31,296 31.7%	35,861 32.3%	38,437 34.0%	44,052 35.0%	48,455 39.5%	51,098 42.8%	54,079 43.8%	57,152 44.4%
Counties/NYC	8,017 9.0%	7,865 8.0%	8,505 7.7%	8,638 7.7%	9,051 7.2%	9,051 7.4%	9,051 7.6%	9,051 7.3%	9,051 7.0%
Total	89,302	98,602	111,120	112,910	126,022	122,621	119,498	123,463	128,831

Executive Financial Plan p. 108. Includes Essential Plan spending.

The Narrative of Unsustainable Growth

- Despite this, the Executive Budget projects “unsustainable” spending growth in DOH Medicaid of 11.5%. What gives?

	FY 26	FY 27	Change
Federal	58.4	61.4	5.2%
State DOH	34.7	38.7	11.5%
State (Other Agencies)	9.4	9.8	4.6%
State Total	44.1	48.5	10.0%
Local	9.1	9.1	0.0%
Total	111.5	118.9	6.7%

What Is Driving State DOH Medicaid Growth?

- The state has proposed a plan to tap Essential Plan reserves to cover all EP enrollees below 200% FPL.
 - 460,000 enrollees above this limit would lose coverage.
- The Executive assumes that its proposal to modify the Essential Plan **does not** receive federal approval.
- If the plan is not approved, then 500k EP enrollees (the *Aliessa* population) will move to state-funded Medicaid.
 - \$2B in extra spending in FY26.
- This drives the bulk of projected Medicaid spending increases.

Adjusting for EP

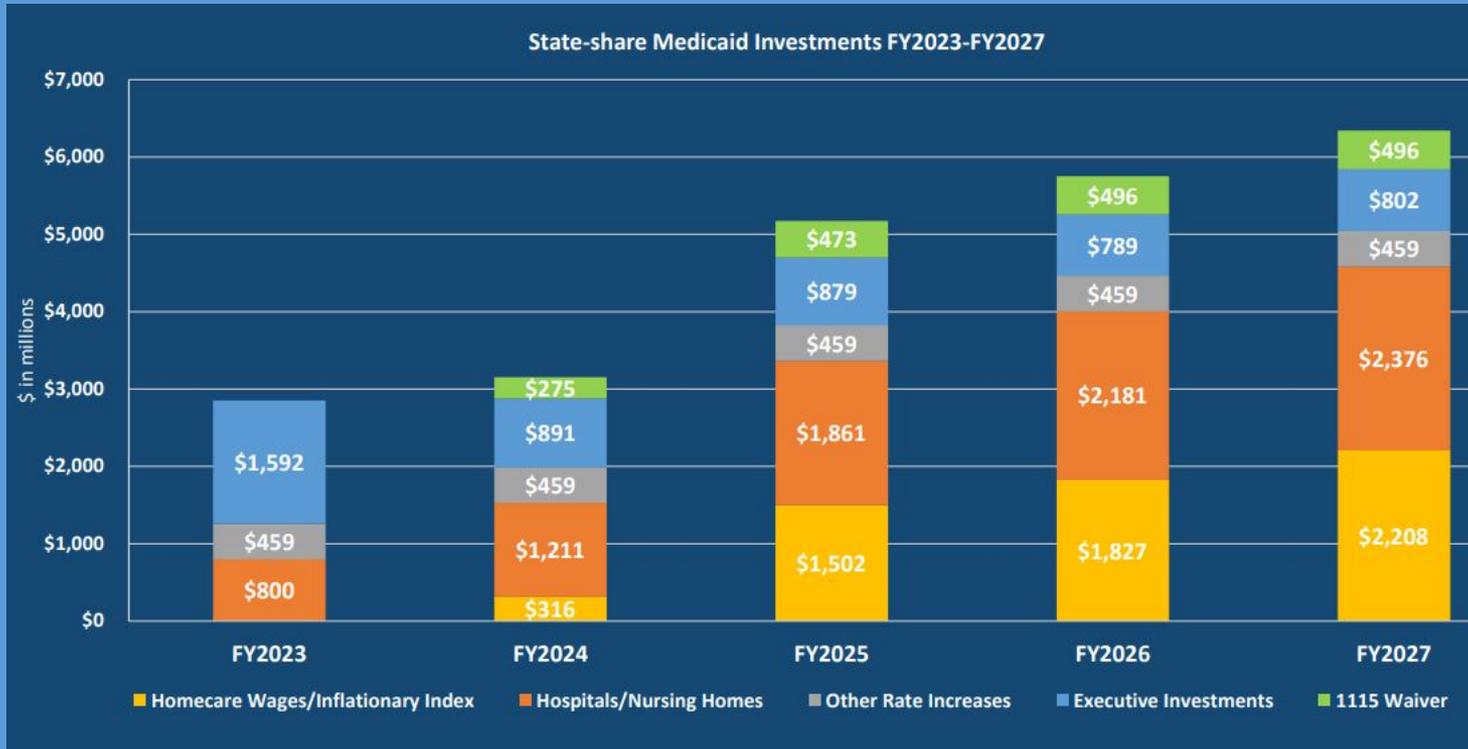
- Medicaid spending for **current** populations is projected to be up just 5.6%

	FY 26	FY 27	Change
State DOH	34.7	38.7	11.5%
Essential Plan Takeover		-2	
State DOH (Adjusted)	34.7	36.7	5.6%

Why Is Spending Increasing?

- The Executive Budget spends \$750M on “targeted healthcare investments”
 - Apparently rate increases for hospitals and nursing homes, although details are unclear.
 - Rate increases due to Managed Care Organization (MCO) tax likely sustained by state funds.
- Cumulative provider rate increases (excluding home care wages) have added \$4B to the Medicaid budget since FY23
- These now account for more than 10% of total Medicaid spending

Provider Rate Increases



Consumer Directed Personal Assistance Program

Savings and Complications

- Executive asserts \$1B state share / \$2B total in savings from CDPAP FI transition
- Sources of savings:
 - Lower admin cost: \$500M
 - Unknown reasons: \$500M
- CDPAP has shrunk significantly, but agency has grown:
 - At least 255k consumers pre-transition.
 - 60k had already moved to agency by April 1
 - Shrinkage has continued

Managed Long Term Care Unknowns

- Exec likely counting “savings” from consumers who transition to agency – even though that’s more expensive and the state still pays.
- MLTC rates will eventually need to increase to incorporate more expensive care.
- Underlying challenge of profit-seeking middlemen in Medicaid remains unaddressed.

Safety Net Hospitals

- Exec invests another \$300M in operating and \$1B in capital support for the Safety Net Transformation Program
- Exec proposes \$500M VAPAP cut (from \$750M to \$250M)
 - Legislature has reversed in past years.
- Most hospital support appears bound for general rate increases rather than targeted at safety net institutions.

We Can Do Better

- 1 million expected to lose insurance in the next two years due to Medicaid and Essential Plan cuts, PTC expiration
- The legislature should prioritize keeping people covered (which helps both individuals and providers) rather than funding increases for providers
- Initiatives could include:
 - Subsidizing PTC for the 460k NYers kicked off EP
 - Paying for coverage for 750k who lose Medicaid due to work requirements
- If EP shift meets federal approval, the state will have \$2B to spend.

V. Other Affordability Policy: Food Security and Housing

Food Security

- Federal cuts to SNAP include more restrictive work requirements that might result in 350,000 NYers losing benefits
- Governor's plan falls short of maintaining full service levels:
 - No state funds to make up for federal cut to SNAP administration
 - Small capital and operating funds for food banks
 - SNAP EBT card improvements that reduce theft
 - Helping summer meals reach kids (maximizing federal dollars)
 - Starting to improve online benefits application process
- State SHOULD implement state-funded SNAP supplement AND increase funding for helping individuals meet work and disability waivers (could also improve Medicaid elig.)

Housing Policy

- Proposed rent freeze in New York City has sparked debate and opportunity
 - Improvements to **SCRIE** and **DRIE**
 - Overblown concerns about financial and physical sustainability of buildings will drive negotiations over coming years
 - Update J-51 tax abatement for rehabilitated rent stabilized housing
 - Opposition groups pushing for vacancy rental resets
- Modest investments in affordable housing development
- Investments in climatization and climate change adaptation
- Vague first steps to try to bring down home insurance costs
- NO funding plan for **NYCHA**
- NO additional funds for **HAVP**

Conclusion

- State is in a very strong fiscal position
- Can and should do more to address cost-of-living issues, particularly housing and food security
- Must do more to back-fill service cuts driven by federal policy (H.R. 1.)
 - Protect 1 million New Yorkers from losing insurance
- Historic opportunity to achieve universal childcare takes important first steps, with need for more

Q & A

(Please put your question in the chat or Q&A box.)

2026 Budget Briefing — NYC (Online)
Thu, Feb 19 at 12PM

