

State of the State Response

Fiscal Policy Institute
January 14, 2026



Agenda

- I. Fiscal Outlook: The Impact of Federal Cuts (10 min)
- II. Threats to New York Healthcare (10 min)
- III. Steps Towards Universal Childcare (10 min)
- IV. Other Affordability Policy: Housing, Food, and Climate (10 min)
- V. Revenue Proposals (5 min)
- VI. Q & A (20–30 min)

Note: Next FPI briefing will be next week (1/22 at 12pm) after the release of the Executive Financial Plan.

I. Fiscal Outlook: The Impact of Federal Cuts

State fiscal base remains strong

- FY 2026 on track to have surplus in excess of \$5 billion
 - This surplus would contribute to the State's record high \$33 billion fiscal reserves
- The State projects flat nominal growth through FY 2028. This would be consistent with a major recession
 - If revenue instead grew at even a subdued rate, the State have a \$2 billion budget surpluses
- Planned tax cuts and in-year reserves also depress projected revenue
 - State on track for \$5 billion surplus adjusting for these factors

DOB Underestimates Federal Funding Cuts

- Federal funding cuts threaten New York safety net and essential services:
 - Costs to New York may total \$5.8 billion in FY 2027 and will rise to \$14.3 billion by FY 2030
 - DOB underestimates these costs because they do NOT plan for policy that holds essential services constant
- In considering revenue options, the State should look to recapture the \$12 billion annual tax cut delivered to NY's top earners by the OBBBA

II. Threats to NY Healthcare

Federal Cuts to New York Healthcare

- Work requirements and other changes to Medicaid:
 - Likely ~750k will lose coverage
- Cuts to Essential Plan, which covers 1.7 million NYers:
 - \$7.5B annual cut (roughly half of total funding)
- Expiration of enhanced PTC:
 - ~40% premium increase for ~140k people in the individual market.

A New Plan for the Essential Plan

- **Original plan:** 500,000 impacted immigrants move to state-funded Medicaid. 225,000 others lose coverage, \$3B annual cost to state.
- **New plan:**
 - EP eligibility shifted down from 250% of FPL to 200% (as it was until 2024)
 - Change will allow the state to access \$10B in reserves from pre-2024 EP, covering most current EP enrollees for ~3 years at no cost to state.
 - 450,000 current EP enrollees over 200% FPL will move to exchange or become uninsured.

Summary of Impacts

- **Medicaid:** ~750,000 lose coverage due to work requirements, with losses beginning January 2027.
- **Essential Plan:** 450,000 lose coverage beginning July 2027.
 - Most (~80%) will be eligible for much worse, more expensive insurance on the exchange, but may not be able to afford it.
 - ~20% will not be eligible due to immigration status and will become uninsured.
- **Individual Market:** Likely significant coverage loss due to premium spike. (Happening now.)

State of the State Response

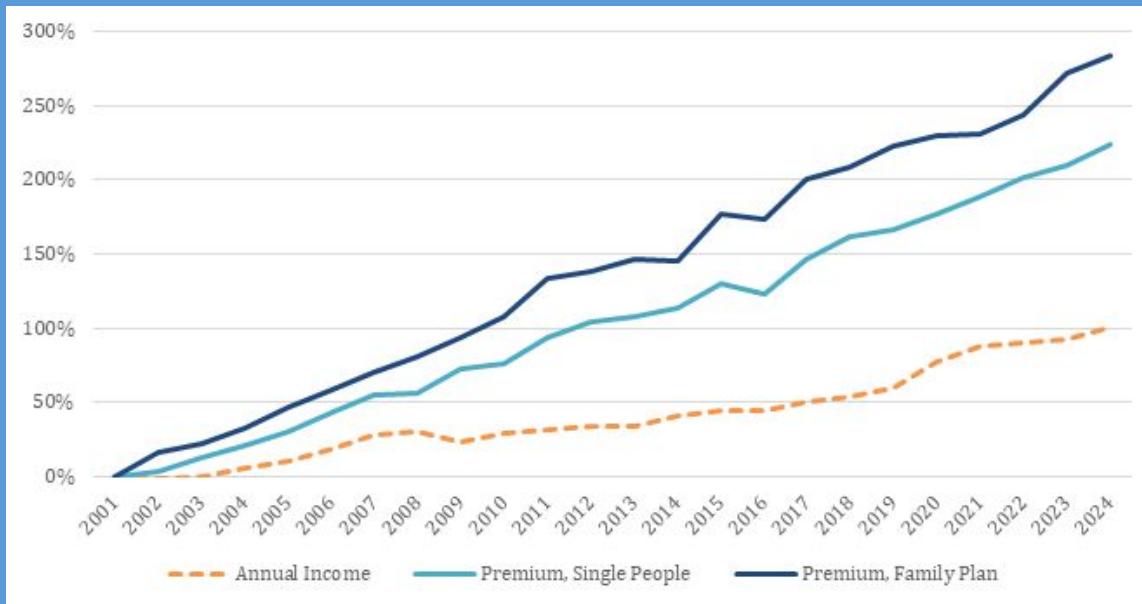
- Bottom line: NY uninsurance rate will roughly **double** (to 10% from 5%) without state action.
- State of the State response:
 - **Medicaid:** None.
 - **Essential Plan:** Vague language suggesting that the state will negotiate with the federal government to support those disenrolled from EP – no state investment.
 - **Individual Market:** No state investment.

What the State Could (and Should) Do

- **Medicaid:**
 - Provide temporary state-funded coverage for those disenrolled. (~\$2B annually, ~\$250M in FY27)
 - Invest in support to keep people enrolled
- **Essential Plan and Individual Market:**
 - Supplement federal PTC for those eligible for PTC (~\$1B annually)
 - Replace federal PTC for those ineligible due to immigration status (~\$1B annually)

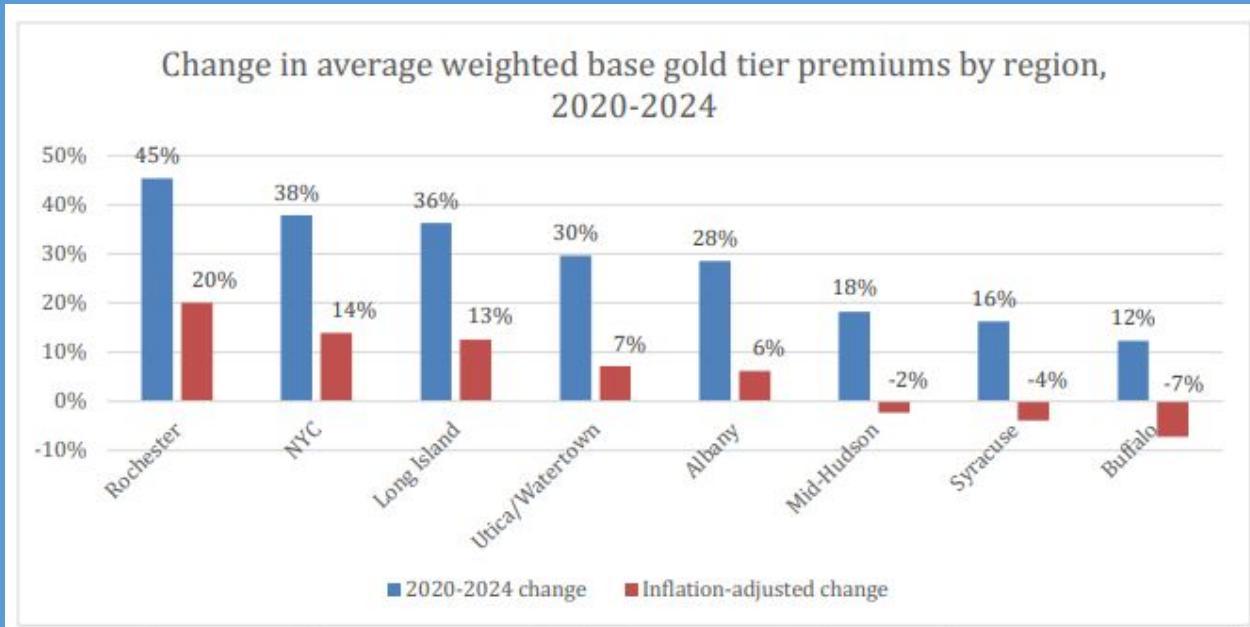
Private Sector Healthcare Affordability

- Private-sector premiums continue to rise much faster than wages



Small Businesses Hit Hardest

- NYC small business insurance averages \$15k/year for an individual, up 38% since 2020.



Healthcare: The Hole in the Affordability Agenda

- State of the State offers very little on private-sector healthcare affordability
- Lowering healthcare costs requires regulating prices
- The governor proposes lower drug prices in Medicaid – but NOT for the private sector.
 - Colorado provides a potential model for lower private prices.
- Key drivers of healthcare spending, such as hospital costs, continue to be unaddressed.

III. Steps Towards Universal Childcare

What's the plan?

- ~\$2 billion in new investments
- ~100,000 new, free seats for children under 5
- 2-Care & 3-k in NYC
- Pre-k statewide
- Vouchers for all ages statewide

What's the plan for 2-year-olds

- 2-Care in NYC
 - Initial state-backed phase-in:
 - 2,000 seats and \$75 million in FY 2027
 - 12,000 seats and \$425 million in FY 2028
 - Full program
 - ~50,000 children
 - ~\$1 billion per year

What's the plan for preschoolers

- Statewide Universal Pre-kindergarten
 - ~40,000 new seats
 - \$470 million per year
 - Per pupil grants will be \$10,000 or Foundation Aid amount, whichever is greater
- 3-K
 - \$100 million to bolster the 3-K in NYC

What's the plan for everyone else

- 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

Where is the money coming from

- UPK and 2C:
 - No new revenue
 - General fund revenue
 - UPK is a recurring commitment
 - 2C is not
- CCAP
 - Recent expansions largely backed by state funds
 - Might be partly backed by shifting funds from the federal TANF block grant

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

IV. 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
- STOTs falls short of maintaining full service levels:
 - Capital and operating funds for food banks (unclear amount)
 - SNAP EBT card improvements that reduce theft
 - Helping summer meals reach kids (maximizing federal dollars)
- State **SHOULD** implement state-funded SNAP supplement AND increase funding for helping individuals meet work and disability requirements

Housing Policy

- Update J-51 tax abatement for **rehabilitated rent stabilized housing**
- \$250 million capital investment in **affordable housing**
- New revolving loan fund for **manufactured home parks**
- \$3.75 billion over 5 years to improve **water infrastructure**
- Update income limits to **SCRIE** and **DRIE**
- \$50 million for Empower+ **home climatization/repair**
- Vague first steps to try to bring down **home insurance costs**
- NO funding plan for **NYCHA**
- NO additional funds for **HAVP**

V. FPI Revenue Agenda

FPI Tax Agenda: Recapture Federal Tax Cuts

- New York's millionaire-earners will save \$12 billion on their federal taxes from Trump tax cuts this year
- Federal spending cuts to New York's Medicaid and SNAP programs will rise from \$5.8 billion this year to \$14.3 billion by 2030
- New York State can protect these essential programs by “recapturing” those tax cuts - raising its own tax rates on the most profitable corporations and millionaire-earners to cover the costs of protecting Medicaid and SNAP

FPI Tax Agenda: Fund Childcare

- Paying for Universal Childcare
 - NYC cost: \$3.5 billion
 - Statewide cost: \$8 billion
- FPI model: Combine progressive taxes with a broad-based payroll tax. Mix of taxes, like the MTA:
 - 25% corporate surtax: \$2.2 billion
 - NYC 1% income tax: \$1.5 billion
 - Flat payroll tax of 0.432% on all wages: \$3.6 billion
 - Investment income tax of 0.432%: \$700 million

FPI Tax Agenda: More Technical Options

- GILTI - now NCTI
 - Federal tax on multinational corporations that move profits to tax havens. Created in 2017 to offset cost of first Trump tax cuts
 - Permanent under OBBBA, renamed from “GILTI” to “NCTI”
 - New York State could include this in its corporate tax, but chooses not to.
- Revenue of \$1-1.5 billion for New York

FPI Tax Agenda: More Technical Options

- Pass-Through Entity Tax (PTET)
 - The 2017 Trump tax law famously limited the state and local tax (SALT) deduction to \$10,000, effectively raising taxes on the highest earning New Yorkers.
 - New York created a tax trick that the owners of pass-through businesses – S corporations, LLCs, partnerships – can use to restore their SALT deduction.
 - They pay an *optional* tax called the Pass-through Entity Tax, deduct it, and receive a 100% income tax credit from the state.
 - The credit is too generous -
- Reduce PTET Rebate: Worth \$1.5 billion annually

Q & A

(Either “raise your hand” or put your question in the chat.)

FPI: First Look at the Executive Budget
Thu, Jan 22 at 12PM

50 Broadway



Zoom

