

# State of the State Response

Fiscal Policy Institute  
January 14, 2026



# Agenda

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- 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

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- 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

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- 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

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- 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

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- **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

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- **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

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- 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.

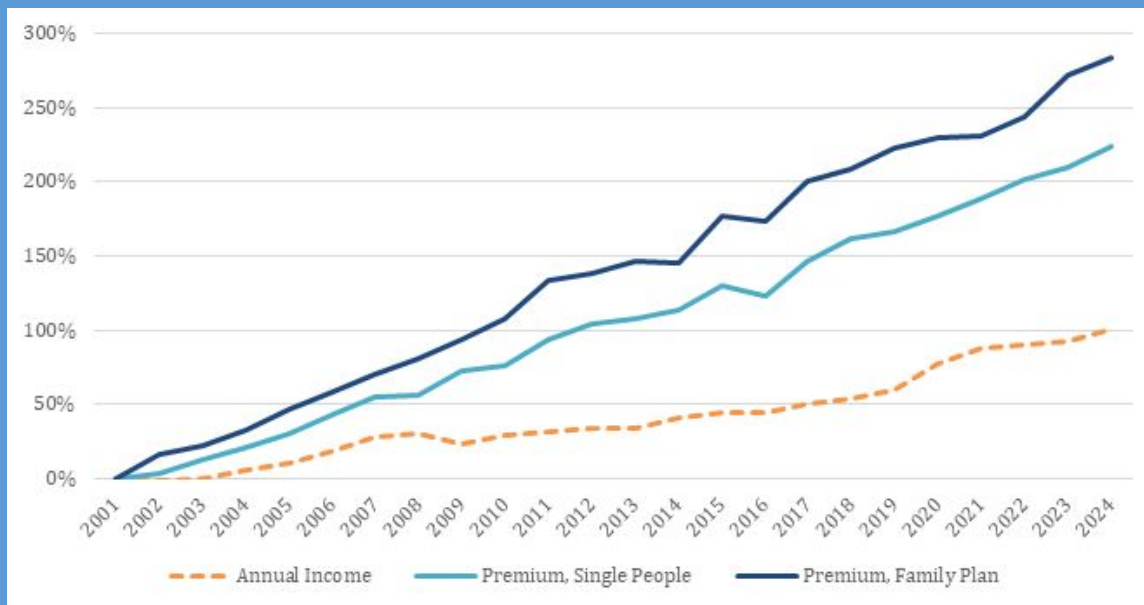
# What the State Could (and Should) Do

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- **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)

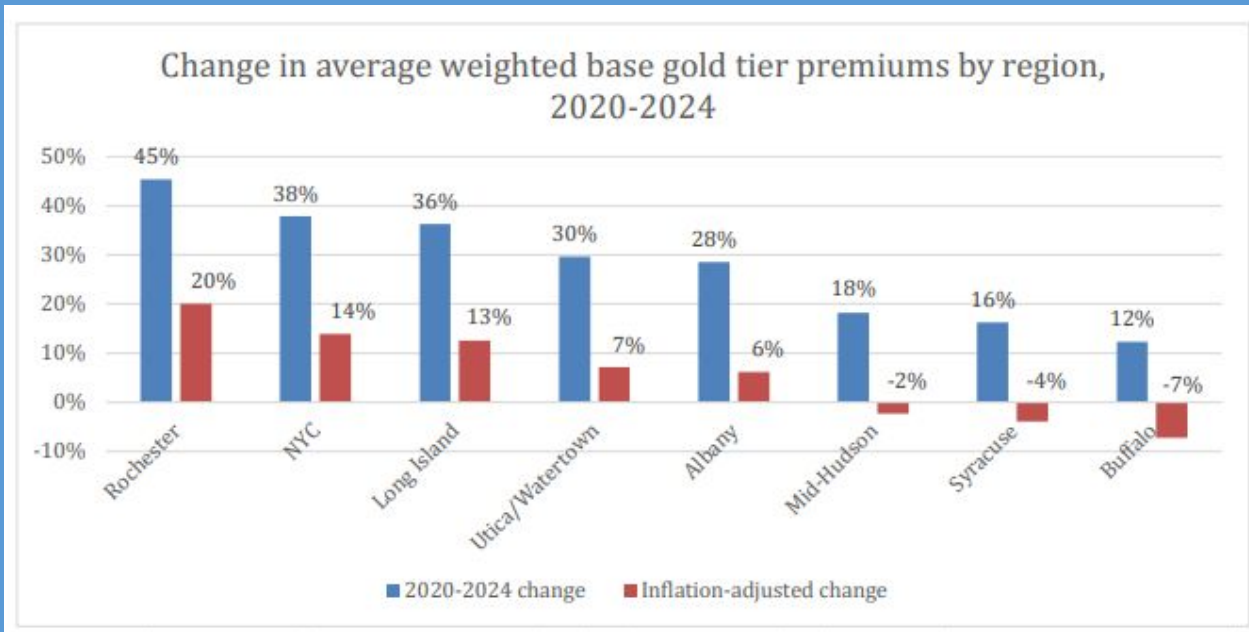
# Private Sector Healthcare Affordability

- 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

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- 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?

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- ~\$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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

