NEW YORK STATE ASSEMBLY

MID-YEAR UPDATE

NOVEMBER 2025

CARL E. HEASTIE
Speaker

J. Gary Pretlow
Chair

Prepared by the
Assembly Ways and Means Committee Staff

Philip A. Fields
Secretary to the Committee

Victor E. Franco, Jr.
Director of Fiscal Studies

Marie Lovato
Director of Budget Studies

Table of Contents

FINANCIAL PLAN

FINANCIAL PLAN

Financial Plan Overview

New York State's reserves and cash balances reached historic levels during the peak of the COVID-19 pandemic, supported by substantial Federal aid and stronger-than-anticipated tax collections. Beginning in State Fiscal Year (SFY) 2022-23, however, revenue growth has moderated as pandemic-related Federal support has depleted and most major tax categories continue to return to pre-pandemic trends.

Despite this slowdown in revenue collection, the State remains in a solid fiscal position, with closing balances of $57.6 billion in the General Fund and $75.2 billion in All Funds. As such, receipts currently exceed disbursements by $723 million in the General Fund and $1.5 billion in All Funds.

Year to Year Financial Plan Actuals: Revenues and spending increase

Table 1

BUDGETARY BASIS
SFY 2025-26 vs SFY 2024-25
($ in millions)

	GENERAL FUND			ALL FUNDS		
	Sep-25	Sep-24	Difference	Sep-25	Sep-24	Difference
OPENING CASH BALANCE - April 1, 2025	56,916	46,331	10,584.9	73,696	65,912	7,784
RECEIPTS	60,953	54,633	6,320	127,546	120,616	6,930
DISBURSEMENTS	60,230	48,566	11,664	119,904	112,427	7,478
EXCESS (DEFICIENCY) of RECEIPTS OVER DISBURSEMENTS	723	6,067	(5,344)	7,642	8,189	(548)
OTHER FINANCING SOURCES (USES)	-	-	-	(6,124)	(70)	(6,053)
EXCESS (DEFICIENCY)	*723*	*6,067*	(5,344)	*1,518*	*8,119*	(6,601)
CLOSING CASH BALANCE - Sept. 30, 2025	57,638	52,398	5,241	75,215	74,031	1,183

During the first six months of SFY 2025-26, the General Fund closing cash balance increased by $5.2 billion compared to last year mid-year results. General Fund mid-year receipts totaled $61 billion, an increase of $6.3 billion from SFY 2024-25. These higher receipts are due to a substantial increase in Transfers from Other Funds of approximately $4 billion and Personal Income Tax (PIT) collections of $2.3 billion compared to the last fiscal year. On the expenditure side, General Fund disbursements total $60.2 billion, an increase of $11.7 billion from last year's mid-year results. Transfers to Other Funds, Medicaid and Education are the main drivers of this growth; together they account for $7.2 billion, $2.4 billion, and $1.1 billion, respectively.

Through September 2025, All Funds receipts totaled $127.5 billion, reflecting an increase of $6.9 billion or 5.7 percent from SFY 2024-25. The increase is primarily due to $4.6 billion in additional PIT collections and $1.5 billion in Federal Grants receipts. All Funds disbursements totaled $119.9 billion, $7.5 billion above last year's mid-year results. This increase in spending is driven by Medicaid, Other Public Health, and Department Operations accounting for $4 billion, $2.1 billion, and $1.1 billion, respectively. Public Safety spending also increased by $1.1 billion, while Education spending was $2.1 billion lower than expected, partially offsetting overall growth.

Actual General Fund revenues collected to date make up 51.8 percent of estimated annual collections in The Division of the Budget's Mid-Year Update, which is roughly the same as anticipated in the Enacted Financial Plan. Disbursements to date make up 47.6 percent of estimated annual spending, lower than the 49.5 percent Enacted Financial Plan estimate.

On an All Funds basis, revenues collected to date make up 49.7 percent of estimated annual collections, slightly lower than the 49.9 percent anticipated in the Enacted Financial Plan. Current disbursements make up 46.4 percent of total spending, lower than the 47.6 percent estimated in the Enacted Financial Plan.

Financial Plan Estimates versus Actual Receipts and Disbursements

Table 2

BUDGETARY BASIS Financial Plan v. Actual ($ in millions)					
	Enacted Financial Plan (*)	1st Quarter Financial Plan (**)	Actual/ Midyear Financial Plan	Enacted (Over/Under) Financial Plan	1st Quarter (Over/Under) Financial Plan
			GENERAL FUND		
OPENING CASH BALANCE - April 1, 2025	56,916	56,916	56,916	(0.2)	(0.2)
RECEIPTS	58,767	58,767	60,953	2,186.0	2,186.0
DISBURSEMENTS	62,154	62,154	60,230	(1,923.6)	(1,923.6)
EXCESS (DEFICIENCY) of RECEIPTS OVER DISBURSEMENTS	(3,387)	(3,387)	723	4,109.6	4,109.6
OTHER FINANCING SOURCES (USES)	-	-	-	-	-
EXCESS (DEFICIENCY)	(3,387)	(3,387)	723	4,109.6	4,109.6
CLOSING CASH BALANCE - Sept. 30, 2025	53,529	53,529	57,638	4,109.4	4,109.4
			ALL FUNDS		
OPENING CASH BALANCE - April 1, 2025	73,696	73,696	73,696	0.4	0.4
RECEIPTS	124,265	124,265	127,546	3,281.2	3,281.2
DISBURSEMENTS	120,982	120,982	119,904	(1,077.6)	(1,077.6)
EXCESS (DEFICIENCY) of RECEIPTS OVER DISBURSEMENTS	3,283.0	3,283.0	7,641.8	4,358.8	4,358.8
OTHER FINANCING SOURCES (USES)	(6,249)	(6,249)	(6,124)	125.3	125.3
EXCESS (DEFICIENCY)	(2,966)	(2,966)	1,518	4,484.1	4,484.1
CLOSING CASH BALANCE - Sept. 30, 2025	70,730	70,730	75,215	4,484.5	4,484.5

Comparing mid-year actual balances to the First Quarter Financial Plan Update, the General Fund and All Funds cash balances are $4.1 billion and $4.5 billion above projections, respectively.

General Fund Revenue through September 2025 was $2.2 billion above the First Quarter Financial Plan estimates. This is primarily due to increased transfers from other funds totaling $1.9 billion, PIT collections of $377.7 million, and Miscellaneous Receipts of $257 million. This positive General Fund revenue variance is partially offset by lower than expected Business Tax collections of $500.8 million.

General Fund spending, including transfers, through September 2025 was $60.2 billion, which is $1.9 billion below the First Quarter Financial Plan projections. This is primarily attributed to lower than anticipated spending of $1.1 billion in Transfers to Capital Projects, $618.4 million in Transfers to Other Purposes and $551.4 million in Local Assistance Grants. This lower spending is partially offset by higher than expected spending of $415.7 million in Transfers to State Share of Medicaid.

All Funds receipts through September 2025 were $3.3 billion above the First Quarter Financial Plan estimates. This is primarily attributed to an increase in Federal Receipts ($2.7 billion) and PIT collections ($757 million), partially offset by lower than expected Business Tax collections of $353 million.

All Funds spending through September 2025 was $119.9 billion, which is $1.1 billion below the First Quarter Financial Plan projections. This is almost entirely attributed to lower than anticipated spending in Capital Projects of $1.2 billion, partially offset by higher than expected spending of $291.3 million in Departmental Operations.

Mid-year Spending Levels over the Past Five Fiscal Years

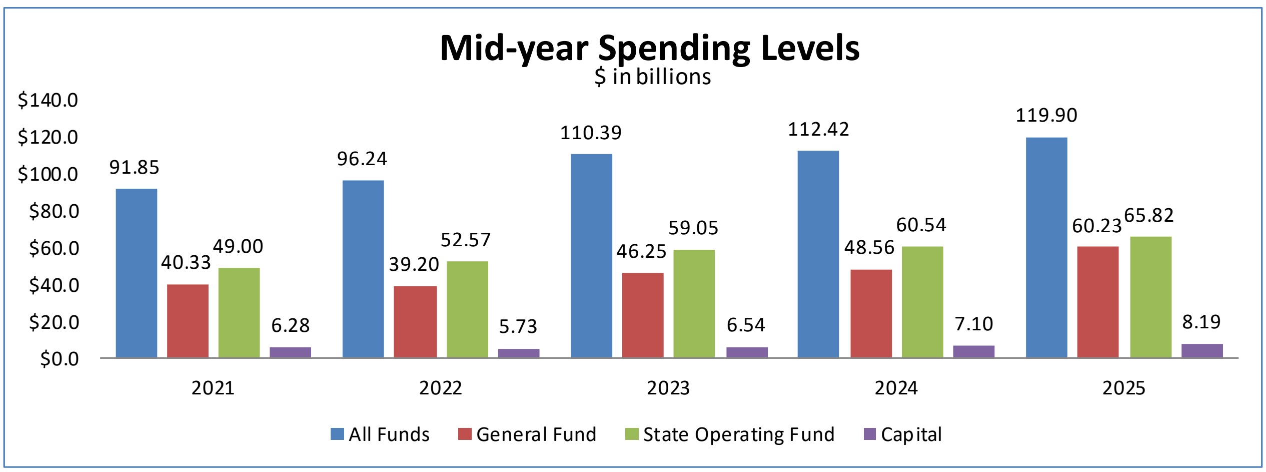

Figure 1

Historically, the five-year average for mid-year All Funds spending is $106.2 billion. Current All Funds spending is $119.9 billion, or 47.1 percent of planned spending for SFY 2025-26, reflecting a growth of $13.7 billion, or 13 percent over the five-year average.

The five-year average for mid-year General Fund spending is $46.9 billion. Current General Fund spending is $60.2 billion, or 48 percent of planned spending for SFY 2025-26. This represents a growth of $13.3 billion, or 28.4 percent over the five-year average.

The five-year average for mid-year State Operating Funds spending is $57.4 billion. Current State Operating Fund spending is $65.8 billion, or 45 percent of planned spending for SFY 2025-26. This reflects a growth of $8.4 billion, or 14.7 percent over the five-year average.

The five-year average for mid-year Capital Fund spending is $6.8 billion. Current Capital Fund spending is $8.2 billion, or 70.5 percent of planned spending for SFY 2025-26, indicating an increase of $1.4 billion, or 20.9 percent over the five-year average.

All Funds Receipts Increase by 5.7 Percent from SFY 2024-25

Table 3

ALL FUNDS
Receipts
($ in millions)

	Mid-year 2025	Mid-year 2024	Difference	% Change
RECEIPTS	**127,546.2**	**120,616.1**	**6,930.1**	**5.7**
Taxes	**59,871.2**	**54,625.1**	**5,246.1**	**9.6**
Personal Income Tax	33,513.5	28,926.8	4,586.7	15.9
Consumption/Use Taxes and Fees	11,857.4	11,302.6	554.8	4.9
Business Taxes	12,992.4	13,035.9	(43.5)	(0.3)
Other Taxes	1,507.9	1,359.8	148.1	10.9
Other				
Miscellaneous Receipts	17,225.3	17,004.0	221.3	1.3
Federal Grants	50,449.7	48,987.0	1,462.7	3.0

To date, All Funds receipts totaled $127.5 billion, nearly $7 billion or 5.7 percent higher than last year for the same period and $3.3 billion higher than projected in the First Quarter Financial Plan Update. Most notably, the annual growth of $5.2 billion in tax collections was primarily driven by $4.6 billion growth in PIT collections and $554.8 million in Consumption Taxes. Miscellaneous Receipts increased by $221.3 million from last year levels and Federal Grants increased by $1.5 billion.

All Funds Disbursements Increase by 6.7 Percent over SFY 2024-25

Table 4

ALL FUNDS Disbursements ($ in millions)	Mid-year 2025	Mid-year 2024	Difference	% Change
DISBURSEMENTS	**119,904.4**	**112,426.8**	**7,477.6**	**6.7**
Local Assistance Grants	**95,767.0**	**90,256.4**	**5,510.6**	**6.1**
Education	21,395.3	23,505.9	(2,110.6)	(9.0)
Environment	112.0	256.3	(144.3)	(56.3)
General Government	1,234.8	1,171.8	63.0	5.4
Public Health Medicaid	48,042.3	44,064.7	3,977.6	9.0
Public Health Other	12,131.4	10,079.3	2,052.1	20.4
Public Safety	2,473.4	1,422.0	1,051.4	73.9
Public Welfare	5,987.3	5,851.2	136.1	2.3
Support and Regulate Business	1,277.8	935.2	342.6	36.6
Transportation	3,112.7	2,970.0	142.7	4.8
Department Operations	**14,098.3**	**13,006.5**	**1,091.8**	**8.4**
Personal Service	9,611.0	8,860.4	750.6	8.5
Non-Personal Service	4,487.3	4,146.1	341.2	8.2
Other	**10,039.1**	**9,163.9**	**875.2**	**9.6**
General State Charges	4,715.9	4,297.0	418.9	9.7
Debt Service (including pmts on financing agreements)	288.9	324.3	(35.4)	(10.9)
Capital Projects	5,034.3	4,542.6	491.7	10.8

All Funds disbursements year-to-date have increased by 6.7 percent over the previous fiscal year, primarily due to a $5.5 billion increase in Local Assistance Grants. Medicaid spending increased by nearly $4 billion, largely due to the timing of State share Managed Care directed payments to support Financially Distressed Hospitals and Managed Care Organization (MCO) tax disbursements. Other Public Health spending increased by more than $2 billion due to timing of payments. Public Safety spending grew by $1.1 billion, partially due to disbursements for the accelerated installation of fixed cameras at 17 correctional facilities throughout the State. Department Operations spending also increased by $1.1 billion over last year, in large part due to the assignment of National Guard members to various correctional facilities throughout the State and a temporarily enhanced overtime pay rate for correctional facility staff. This increase in total All Funds disbursements is partially offset by lower Education spending decreased of $2.1 billion, primarily due to timing of payments.

ECONOMIC OUTLOOK

ECONOMIC OUTLOOK

United States Economy

Table 5

U.S. Economic Outlook (Percent Change)				
	Actual 2023	**Actual 2024**	**Estimate 2025**	**Forecast 2026**
Real GDP	2.9	2.8	1.9	1.8
Personal Income	6.5	5.6	4.9	4.3
Wages & Salaries	5.5	5.6	5.0	4.4
Corporate Profits	7.6	5.1	3.5	0.9
Productivity	1.9	2.7	1.3	1.7
Employment	2.2	1.3	0.9	0.3
Unemployment Rate*	3.6	4.0	4.2	4.5
CPI-Urban	4.1	3.0	2.8	3.0
S&P 500 Stock Price	4.5	26.7	12.6	1.0
Treasury Bill Rate (3-month)*	5.3	5.2	4.2	3.3
Treasury Note Rate (10-year)*	4.0	4.2	4.3	4.0

* Annual average rate.
Note: Personal income and corporate profits growth rates are based on nominal
Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; Federal Reserve; Standard & Poor's; NYS Assembly Ways and Means Committee staff.

- U.S. economic growth moderated in early 2025 under the weight of the uncertainty and volatility driven by tariffs, deportations, and announced cuts to federal government jobs and outlays. The yearly average level of national output, measured with inflation-adjusted **Gross Domestic Product (GDP)**, is estimated to increase 1.9 percent in 2025, a significant slowdown from 2.8 percent in 2024. Over the forecast period, with employment growth stalling and income growth moderating, U.S. economic growth is projected to remain subdued below its potential growth path.

- **Personal income** is expected to grow by 4.9 percent in 2025, following increases of 5.6 percent in 2024 and 6.5 percent in 2023. This slowdown reflects slower growth in wages and salaries. Other personal income components that are expected to contribute to the deceleration are rent, dividend and interest incomes. In 2026, personal income growth is projected to continue to slow as labor demand is reined in, resulting in slower wage growth. Additionally, transfer payments are expected to slow down.

- **Wages and salaries**, the largest component of personal income, are expected to grow by 5.0 percent in 2025, following a robust increase of 5.6 percent in 2024. While inflationary pressures have kept wage growth relatively strong, slower employment growth over the forecast period will restrain wage growth. As a result, wages and salaries are projected to slow further to 4.4 percent in 2026.

- Growth of **corporate profits** is moderating in 2025, driven by slowing sales and rising cost pressures from tariffs. The softening trend is projected to persist through 2026. With cost pressures from tariffs anticipated to stabilize, corporate profitability is forecast to improve in 2027. Corporate share in national income reached 16.2 percent in the fourth quarter of 2024, marking its highest since 1947. As corporate earnings moderated, the share retreated in the first half of 2025 and is expected to remain depressed over the next two years.

- U.S. labor market conditions have been weakening, with an estimated yearly growth rate of nonfarm payroll **employment** decelerating to 0.9 percent in 2025, from 1.3 percent in 2024 and 2.2 percent in 2023. The growth rate is projected to slow further to 0.3 percent in 2026. The factors affecting the sharp slowdown in employment growth include an anticipated moderation in demand for workers, federal policies that restrict immigration and mass deportation that slows labor force growth, and advancements in technology that may displace workers or require them to upskill or retrain.

- After two years of steady improvement, the headline **inflation of consumer prices** is rising again due to increasing pressures from tariffs. With the import duties expected to be passed through to consumers further, the yearly growth of consumer prices is forecast to reaccelerate from an estimated 2.8 percent in 2025 to 3.0 percent in 2026, before falling to 2.6 percent in 2027.

- Despite inflation expectations rising due to tariffs, the **Federal Reserve** resumed lowering rates in September 2025. Faced with mounting evidence of a weakening labor market, policy makers signaled the potential of additional cuts in the coming months. The current forecast assumes that the Federal Reserve will continue to cut rates until the last quarter of 2026 when its target range falls to 2.75-3.00 percent.

- On a yearly average basis, the **yield on 3-month Treasury bills** is forecast to decrease from an estimated 4.22 percent in 2025 to 3.28 percent in 2026 and 2.90 percent in 2027, in tandem with the expected cuts in the federal funds rate. The **yield on 10-year Treasury notes** is forecast to decrease to a yearly average of 4.00 percent in 2026 and 3.95 percent in 2027, after averaging an estimated 4.29 percent in 2025.

- Despite growing uncertainty and an increasingly unstable global economic environment, **equity markets** have advanced robustly, driven largely by investor enthusiasm surrounding the potential of artificial intelligence. However, several headwinds persist. These include a slowing economic growth outlook, rising national debt, and equity valuations that remain stretched relative to earnings. As a result, markets remain vulnerable to external shocks and face a heightened risk of correction over the forecast period.

- **Risks** to the forecast are skewed to the downside. Key concerns include overvalued equity markets, stalling employment growth, and an uncertain trajectory for monetary policy. Additional downside risks stem from persistent ambiguity surrounding U.S. trade and immigration policies, as well as recurring government shutdowns. Moreover, consumer sentiment remains subdued; a sudden deterioration could lead to a sharper-than-expected pullback in both consumer and business spending.

National Forecast Comparisons

Table 6

U.S. Real GDP Forecast Comparison			
	Actual 2024	**Estimate 2025**	**Forecast 2026**
Ways and Means	2.8	1.9	1.8
Division of the Budget	2.8	2.0	1.9
Blue Chip Consensus	2.8	1.9	1.8
Moody's Analytics	2.8	1.9	1.7
S&P Global	2.8	2.0	2.2

Sources: NYS Assembly Ways and Means Committee; NYS Division of the Budget, FY2026 Enacted Budget Financial Plan, Mid-Year Update, October 2025; Blue Chip Economic Indicators, October 2025; Moody's Analytics, October 2025; S&P Global Market Intelligence, October 2025.

- The NYS Assembly Ways and Means Committee's forecast for overall national economic growth for 2026 is 1.8 percent. This forecast is 0.1 percentage points below the forecast of the Division of the Budget and 0.4 percentage points below the S&P Global forecast. The Committee's forecast is 0.1 percentage points above Moody's Analytics' projection and the same as the Blue Chip Consensus forecast.

New York State Economy

Table 7

New York State Economic Outlook (Percent Change)			
	Actual 2024	**Estimate 2025**	**Forecast 2026**
Employment	2.6	1.3	0.5
Personal Income	5.5	4.9	4.4
Total Wages	6.6	6.3	4.3
Base Wages	5.7	5.2	4.1
Variable Compensation	13.8	13.8	5.1
New York Area CPI	3.8	3.5	3.3

Note: Base wages and variable compensation are estimated by the NYS Assembly Ways and Means Committee staff and sum to total wages. New York area CPI is based on the New York-Northern NJ-Long Island, NY-NJ-CT-PA CPI-U series from the U.S. Bureau of Labor Statistics.
Sources: U.S. Bureau of Economic Analysis; NYS Department of Labor; U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

Table 8

New York State Economic Outlook State Fiscal Year		Actual 2024-25	Estimate 2025-26	Forecast 2026-27
Employment	Percent Change	2.4	1.0	0.5
	Level (Thousands)	9,689.0	9,817.3	9,864.6
Personal Income	Percent Change	5.3	4.8	4.2
	Level (Billions)	1,677.9	1,760.2	1,837.7
Total Wages	Percent Change	7.4	5.7	3.6
	Level (Billions)	921.3	979.1	1,021.0
Base Wages	Percent Change	5.8	4.9	4.0
	Level (Billions)	804.8	846.5	881.6
Variable Compensation	Percent Change	18.8	10.4	0.9
	Level (Billions)	116.5	132.6	139.4
New York Area CPI	Percent Change	4.0	3.3	3.2
	Index Level (1982-84=100)	334.2	345.8	357.1

Note: Employment level is in thousands; wage and personal income levels are in billions of dollars.
Sources: U.S. Bureau of Economic Analysis; NYS Department of Labor, QCEW; U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

- Total nonfarm payroll **employment** in the State increased by 2.4 percent in State Fiscal Year (SFY) 2024-25, reflecting a continued recovery from the pandemic-induced recession. Nonfarm employment is estimated to grow at a slower rate of 1.0 percent in SFY 2025-26 due to weaker growth in business investment and personal consumption amid a broader economic slowdown. As economic and consumption growth are projected to remain low, nonfarm employment growth is expected to slow further to 0.5 percent in SFY 2026-27.

- Total nonfarm **wages and salaries** in the State grew solidly at 7.4 percent in SFY 2024-25, driven mainly by an increase in variable wages. As employment growth slows amid broader economic softening, total wage growth is projected to decelerate to 5.7 percent in SFY 2025-26. In SFY 2026-27, wage growth is expected to slow further to 3.6 percent, with both base and variable components weakening due to continued economic weakness.

- Overall **personal income** in the State grew solidly at 5.3 percent in SFY 2024-25, driven by strong wages gains. Personal income growth in the State is estimated to decelerate to 4.8 percent in SFY 2025-26, due to slower wages growth as the economy softens. With overall economic activity expected to remain sluggish, personal income growth is forecast to ease further to 4.2 percent in SFY 2026-27 as wage growth continues to moderate.

- The key **risks** to the national economy also apply to the State's forecast. In addition, Wall Street and the financial markets play a central role in the State economy. If current conditions change and financial market volatility worsens, variable compensation could decrease significantly. In addition, consumer and business spending may also decline, potentially having critical implications for the economic and fiscal health of the state.

State Forecast Comparisons

Table 9

New York State Economic Forecast Comparison			
	Actual SFY 2024-25	**Estimate SFY 2025-26**	**Forecast SFY 2026-27**
Employment			
Ways and Means	2.4	1.0	0.5
Division of the Budget	2.4	0.0	0.2
Wages			
Ways and Means	7.4	5.7	3.6
Division of the Budget	8.0	3.2	3.4
Personal Income			
Ways and Means	5.3	4.8	4.2
Division of the Budget	5.7	3.3	3.3

Sources: NYS Assembly Ways and Means Committee staff; NYS Division of the Budget, FY 2026 Enacted Budget Financial Plan Mid-Year Update.

- For SFY 2025-26, the NYS Assembly Ways and Means Committee estimates the State's total nonfarm payroll employment to grow by 1.0 percent, 1.0 percentage points above the estimate by the Division of the Budget. The Committee's estimate for wage growth for SFY 2025-26 is 5.7 percent, 2.5 percentage points above the estimate by the Division of the Budget. The Committee's estimate of personal income growth for SFY 2025-26 is 4.8 percent, 1.5 percentage points higher than the estimate by the Division of the Budget.

- For SFY 2026-27, the NYS Assembly Ways and Means Committee's forecast that total nonfarm payroll employment will grow by 0.5 percent, 0.3 percentage point higher than the forecast of Division of the Budget. The Committee's forecast for wage growth in SFY 2026-27 is 3.6 percent, 0.2 percentage point over the Division of the Budget's forecast. The Committee's forecast for personal income growth for SFY 2025-26 is 4.2 percent, which is 0.9 percentage points higher than the forecast of the Division of the Budget.

REVENUE UPDATE

REVENUE UPDATE

All Funds Tax Receipts State Fiscal Year 2025-26

- **All Funds revenues** are estimated to total $258.6 billion in State Fiscal Year (SFY) 2025-26 for a year-to-year increase of 3.9 percent, or an increase of $9.6 billion, mainly attributed to strong growth in **Miscellaneous Receipts** and **Personal Income Tax (PIT) collections**.

- The Assembly Ways and Means Committee projection of **All Funds tax revenue** for SFY 2025-26 is $121.6 billion, representing an increase of 3.5 percent, or $4.1 billion, from SFY 2024-25.

- The increase in overall tax receipts is primarily due to a $4.5 billion increase in projected **PIT collections** due to strong total wage and non-wage growth, and a $1.1 billion increase in **Consumption and Use Tax collections** as consumer demand remains strong. This increase is partially offset by a $1.8 billion decrease in **Business Tax collections**.

- The Committee's All Funds revenue estimate is $1.8 billion above the Executive's estimate at mid-year, almost entirely attributable to significant positive variance in both **PIT and Sales Tax collections.**

All Funds Tax Receipts State Fiscal Year 2026-27

- The Committee expects **All Funds revenues** to decrease by 3.6 percent, for a total of $249.3 billion in SFY 2026-27, due to a significant $13.6 billion decrease in **Federal receipts**. This decrease is partially offset by a $2.6 billion increase **PIT collections,** a $1.0 billion increase in **Miscellaneous Receipts,** and a $807 million increase in **Consumption and Use Tax collections.**

- The Committee expects a 2.7 percent increase in **All Funds tax receipts** in SFY 2026-27, for a total of $124.9 billion.

- The Committee's All Funds revenue forecast is $1.5 billion above the Executive's estimates, mainly due to a $1.3 billion positive variance in **All Funds tax receipts.**

- The Committee's forecasts reflect ongoing economic uncertainty at the state and national levels, as well as unpredictability in taxpayer behavior in response to the **Pass-Through Entity Tax (PTET)**, which complicates forecasting tax collections**.**

Table 10

SFY 2025-26 All Funds Estimate Summary ($ in millions)					
	2024-25 Actual	**2025-26 Estimate**	**Change**	**Growth**	**Diff. Exec.**
Personal Income Tax	61,201	65,708	4,507	7.4%	1,118
User Taxes	22,352	23,444	1,092	4.9%	487
Business Taxes	31,373	29,552	(1,821)	(5.8%)	(111)
Other Taxes	2,586	2,927	341	13.2%	181
Total Tax Collections	**117,512**	**121,631**	**4,119**	**3.5%**	**1,675**
All Funds Miscellaneous Receipts	29,900	33,994	4,094	13.7%	83
Gaming	4,861	4,983	122	2.5%	66
Total w/Miscellaneous Receipts & Gaming	**152,273**	**160,608**	**8,335**	**5.5%**	**1,824**
Federal Funds	96,713	98,016	1,303	1.3%	-
Total All Funds Receipts	**248,986**	**258,624**	**9,638**	**3.9%**	**1,824**
* Totals may not add up due to rounding.					

Table 11

SFY 2026-27 All Funds Forecast Summary ($ in millions)					
	2025-26 Estimate	**2026-27 Forecast**	**Change**	**Growth**	**Diff. Exec.**
Personal Income Tax	65,708	68,317	2,609	4.0%	728
User Taxes	23,444	24,251	807	3.4%	629
Business Taxes	29,552	29,245	(307)	(1.0%)	(188)
Other Taxes	2,927	3,081	154	5.3%	164
Total Tax Collections	**121,631**	**124,894**	**3,263**	**2.7%**	**1,333**
All Funds Miscellaneous Receipts	33,994	35,028	1,034	3.0%	82
Gaming	4,983	5,008	25	0.5%	126
Total w/Miscellaneous Receipts & Gaming	**160,608**	**164,930**	**4,323**	**2.7%**	**1,541**
Federal Funds	98,016	84,391	(13,625)	(13.9%)	-
Total All Funds Receipts	**258,624**	**249,321**	**(9,302)**	**(3.6%)**	**1,541**
* Totals may not add up due to rounding.					

Year-To-Date Tax Receipts

- Year-to-date tax receipts through September reflect robust growth compared to the first six months of SFY 2024-25. However, when compared to the SFY 2021-22 level, this fiscal year's tax collections indicate a continuation of the strong growth in overall collections that had occurred prior to the pandemic (see Figure 2 below).

- Through September, All Funds tax revenue has increased by 9.6 percent compared to the same period in SFY 2024-25. Furthermore, total tax receipts have increased 13.1 percent over the SFY 2021-22 level.

- The year-to-date increase in collections has largely been driven by growth in PIT receipts, mainly attributed to moderate-to-strong increases in capital gains income and total wages. The year-to-date increase in overall collections have been partially offset by a significant decrease in almost all business tax components.

- While there is some room for upside growth in overall tax collections, mainly related to sustained growth in total wages, non-wage income, and consumer demand, the Committee is cautiously optimistic and will continue to monitor the overall economic uncertainty at the State and National levels.

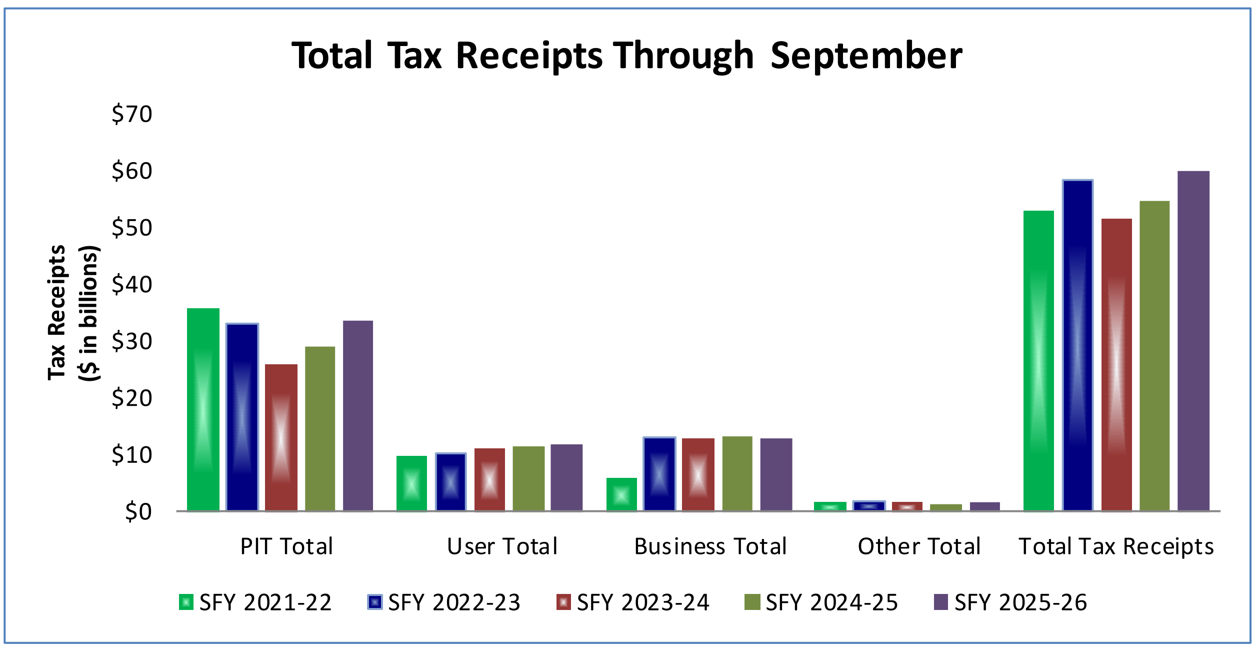

Figure 2

SFY 2025-26 Enacted Budget - Major Revenue Actions

- **One-Time Inflation Refund:** The Enacted Budget created a one-time inflation refund credit check for certain taxpayers with incomes below $300,000, in the following amounts: $400 for joint filers with incomes below $150,000; $300 for joint filers with incomes between $150,000 and $300,000; $200 for single filers with incomes below $75,000; and $150 for single filers with incomes between $75,000 and $150,000. This action is projected to reduce PIT collections by approximately $2 billion in SFY 2025-26.

- **Middle Class Tax Cut:** The Enacted Budget provided a 0.2 percentage point tax rate cut, phased-in over two years, for certain taxpayers with incomes below $323,200. An initial 0.1 rate reduction will take effect January 1, 2026, followed by the fully phased-in 0.2 rate reduction effective January 1, 2027. This action is projected to reduce PIT revenues by $103 million in SFY 2025-26, and $542 million in SFY 2026-27.

- **Extend the Temporary Personal Income Tax (PIT) High Income Surcharge for Five Years:** The Enacted Budget extended the current PIT Surcharge for high-income earners for an additional five years, through tax year 2032.

- **Enhance the Empire State Child Credit for Three Years:** The Enacted Budget provided a three-year phased-in enhancement to the Child Tax Credit. Specifically, this action:
  - increased the maximum credit to $1,000 for qualifying children under four years old for tax years 2025 through 2027; and
  - increased the maximum credit to $500 for qualifying children aged 4-16 for the 2026 and 2027 tax years.

- **Metropolitan Commuter Transportation Mobility Tax (MCTMT)**: The Enacted Budget restructured the MCTMT, which will increase revenues to the Metropolitan Transportation Authority (MTA), and:
  - reduced the tax rates by half for businesses with annual payroll expenses between $1.25 million and $1.75 million;
  - exempted local government employers located outside New York City (NYC) from the Payroll Mobility Tax (PMT);
  - raised the exemption threshold for self-employed filers from $50,000 to $150,000;

  - increased the PMT rate from 0.34 percent to 0.60 percent for businesses located in NYC with annual payrolls between $1.75 million and $10 million; and

  - established a new bracket for businesses with annual payroll expenses of at least $10 million, and increased the current PMT rate on such businesses from 0.60 percent to 0.895 percent for businesses located in NYC and from 0.34 percent to 0.635 percent for businesses located outside NYC.

- **Extend and Amend the Film Tax Credit:** The Enacted Budget extended the Empire State Film Production and Post-production Credits for an additional two years, through 2036; removed the tiered payout structure for new applicants; established an enhanced credit for certain recurring productions; removed certain restrictions on above-the-line qualified costs; and created a new $100 million Empire State Independent Film Production program. The Enacted Budget also included language that will provide an additional 10 percent credit for costs associated with musical scoring for certain new applicants.

- **Waiting Period Restriction and Limit Deductions on Institutional Real Estate Investors:** The Enacted Budget established a prohibition on certain covered entities, including institutional investors, from purchasing a single or two-family home in the first 90 days it is on the market, and disallowed depreciation tax and interest tax deductions from such homes if purchased by covered entities.

- **Eliminate NYC Personal Income Tax (PIT) for Certain Filers:** The Enacted Budget established a PIT credit for certain low- and middle-income New York City (NYC) taxpayers with at least one dependent. The credit would eliminate NYC PIT liability completely for taxpayers with incomes below the "eligibility threshold", which would be calculated based on the number of dependents of the taxpayer. For taxpayers who exceed the eligibility threshold by $5,000 or less, who would otherwise apply, the credit amount would be calculated on a sliding scale.

- **Extend and Amend the Excelsior Jobs Program:** The Enacted Budget extended the Excelsior Jobs Program for five years, through 2034; expanded eligibility under the program to include certain Semiconductor Supply Chain Projects; created a new Semiconductor Research and Development program, which would provide a tax credit for certain large scale projects; repealed and replaced the Employee Training Incentive Program with a new Semiconductor Manufacturing Workforce Training Program; and enhanced and expanded the Jobs Retention Tax Credit program to include certain emergency-impacted small businesses.

- **Simplify the Real Property Tax Circuit Breaker Credit:** The Enacted Budget amended the existing Real Property Tax Circuit Breaker Personal Income Tax (PIT) Credit, to simplify the credit computation for eligible taxpayers. This PIT credit is available to certain homeowners and renters with household income below $18,000, and this action allows taxpayers to base their credit off their federal adjusted gross income instead, for tax years beginning on January 1, 2025.

EXPENDITURE FORECAST AND RISKS

EXPENDITURE FORECAST AND RISKS

Medicaid

Medicaid Spending: SFY 2024-25, 2025-26, 2026-27

Total New York State share Medicaid spending for the Department of Health (DOH) in SFY 2024-25 was $31.6 billion. Based on the data for the first six months of SFY 2025-26, it is estimated that DOH Medicaid expenditures will total $35.8 billion in SFY 2025-26, an increase of 13.3 percent. In SFY 2026-27, DOH Medicaid spending is projected at $40.7 billion, representing an increase in State share spending of 13.6 percent. The notable increase in projected state spending in SFY 2025-26 and 2026-27 can be attributed to the planned reinvestment of Managed Care Organization (MCO) Tax revenues, increased utilization of long-term care services and enrollment, home care minimum wage increases, and payments to financially distressed hospitals. Additionally, due to the policy changes included in H.R.1, beginning in July 2026 the Financial Plan assumes that legally residing immigrants currently enrolled in the Essential Plan (EP) will be transferred to Medicaid resulting in $2.3 billion in increased costs. Without accounting for disbursements from the Healthcare Stability Fund, which receives the revenue collected from the MCO tax, DOH Medicaid spending would grow by 4.7 percent in SFY 2025-26 and 15.7 percent in SFY 2026-27.

Table 12

Medicaid Spending Impacts
$ in millions

	SFY 2024-25	SFY 2025-26	SFY 2026-27
Adjusted DOH Medicaid Spending	$ 31,440	$ 33,120	$ 36,079
State Share eFMAP	$ (36)	$ -	$ -
Healthcare Stability Fund	$ 150	$ 2,728	$ 2,388
H.R.1 Impacts	$ -	$ -	$ 2,251
Total DOH Medicaid Spending	**$ 31,626**	**$ 35,848**	**$ 40,717**

Medicaid Global Cap

The SFY 2022-23 budget implemented an update to the metric used to calculate the Global Cap by utilizing the five-year rolling average of the Centers for Medicare & Medicaid Services (CMS) Medicaid Spending Annual Growth Rate. Under the new Global Cap metric, SFY 2025-26 DOH Medicaid expenditures will be capped at $26.5 billion. This represents indexed growth of $1.5 billion or 6.1 percent over the SFY 2024-25 Global Cap. In SFY 2026-27, the Global Cap is indexed to grow to $27.9 billion by $1.4 billion or 5.3 percent. Over the five-year Financial Plan, the new Global Cap metric allows for $21.2 billion in combined new allowable expenditure compared to the prior Global Cap metric.

Additionally, the SFY 2025-26 Enacted Budget shifted $2.1 billion in Other State Agency (OSA) local Medicaid expenses out of the Global Cap. This reclassification of OSA spending is Financial Plan cost neutral but does serve to free up considerable room under the Global Cap for trends that have continued to place upward pressure on state share Medicaid expenditure. As of the release of the midyear Financial Plan, the Medicaid Global Cap is projected to exceed allowable spending levels in SFY 2026-27 by $3.2 billion. This deficit is projected to continue to grow to $4.9 billion in SFY 2027-28 and $5.7 billion in SFY 2028-29. Compared to the Enacted Budget Financial Plan the projected deficits to the Global Cap have grown by $2.3 billion for SFY 2025-26 and $3.1 billion for the outyears due to the impact of H.R.1.

If DOH Medicaid spending is projected to exceed the Global Cap, the state Medicaid Director is authorized to implement a Medicaid Savings Allocation Plan, consisting of reimbursement rate reductions and/or benefit reductions, to bring expenditures in-line with the budgeted amounts under the cap. The Executive must provide notification to the Legislature 30 days prior to the implementation of any savings plan.

Risks to the Medicaid Spending Forecast

Federal policy changes present substantial risks to the financial plan. The Federal budget reconciliation bill H.R.1 that was signed into law in July 2025 has several provisions that will impact state expenditures, some of which take effect in the immediate fiscal year and others that will come into effect throughout the outyears of the Financial Plan.

Beginning January 1, 2026, certain lawfully present immigrants below 138 percent of the Federal Poverty Level (FPL) enrolled in the EP will no longer be eligible for Federal Premium Tax Credits (PTC). This change will require the State to shift 535,000 individuals from the EP to State funded Medicaid in July 2026, resulting in $2.3 billion in additional costs in SFY 2026-27 and $3.1 billion when fully annualized in subsequent fiscal years. Due to this shift, the EP will become insolvent, losing over half of its funding which will result in the remaining 795,000 individuals enrolled in the EP to lose coverage and be forced to obtain employer-based insurance, enroll in a Quality Health Plan on the ACA Marketplace or become uninsured. The State intends to mitigate this risk by terminating its section 1332 waiver, which expanded EP income eligibility, and reactivate the 1331 Basic Health Program by July 1, 2026. This change will lower the income eligibility cap back to 200 percent of the FPL, from 250 percent and result in 406,000 individuals losing EP coverage. However, this change would allow the State to access $9 billion in the Basic Health Program Trust Fund to offset the loss of PTC revenue which would temporarily maintain the solvency of the EP and its 1.3 million enrollees while mitigating additional costs to the Medicaid program.

Additionally, H.R.1 required States to implement work requirements for individuals aged 19-64 applying for coverage or enrolled through the Medicaid expansion group beginning January 1, 2027. The Executive projects $50 million in additional costs to the State to implement and administer these requirements. The costs could be offset by savings resulting from disenrollment of individuals who do not meet the 80 hour per month work requirements and do not qualify for exemptions. It is estimated that 750,000 to 1.5 million individuals statewide will lose Medicaid coverage due to the policy. The state may apply for an extension of this deadline until December 31, 2028, conditional on the HHS Secretary's approval. Other changes to Medicaid, such as more frequent eligibility redeterminations and enrollee address verification, will also increase administrative costs for the state, while potentially resulting in lower enrollment.

Finally, CMS announced a proposed rule in May 2025, which was mirrored in the provisions of H.R.1, that would alter Medicaid provider tax waivers. The MCO tax, approved in 2024, was forecasted to generate $3.7 billion over SFY 2025-26 and 2026-27. Upon implementation of the draft rule, or the provisions contained in H.R.1, it is anticipated that the waivers authorizing the MCO tax will be disallowed immediately, which will cease all future collections. This presents a risk to the $1 billion allocated in the Financial Plan to offset Global Cap expenditures and the additional $2.7 billion allocated to support new health care delivery investments. Loss of this revenue will place further upward pressure on the Global Cap to maintain provider reimbursement rates and payments to financially distressed hospitals.

Public Assistance Caseload and Expenditures

Public assistance expenditures consist of two main categories of spending: Family Assistance and Safety Net Assistance. The Family Assistance program is a federal program that provides support services and cash assistance to eligible families and children and is financed through the federal Temporary Assistance for Needy Families (TANF) grant. The Safety Net Assistance program is a State program, financed jointly between the State and local governments. As the name implies, it offers a "safety net" by providing cash assistance to those individuals who do not qualify for Family Assistance (i.e., single adults, childless couples, and families that have exhausted their five year time limit for TANF eligibility imposed under federal law). It should be noted that while the data available from the Office of Temporary and Disability Assistance (OTDA) is sufficient for estimating the public assistance caseload, it lacks the needed specificity for preparing a public assistance spending forecast. While economic factors such as employment, wages and unemployment exhaustions may help to forecast the number of recipients on the public assistance rolls, translating those figures into spending terms cannot be done with precision because a significant portion of public assistance expenditures are made for emergency situations that are unrelated to the public assistance caseload. Consequently, in order to forecast public assistance expenditures more accurately, OTDA needs to refine currently available data by segregating emergency and other non-assistance spending from basic expenditures that are directly related to the public assistance caseload.

Table 13

Expenditures (in millions)	SFY 2024-25 (actual)	SFY 2025-26 (WAM estimate)	SFY 2026-27 (WAM estimate)
Federal	$1,020	$1,010	$980
General Fund	$761	$809	$814

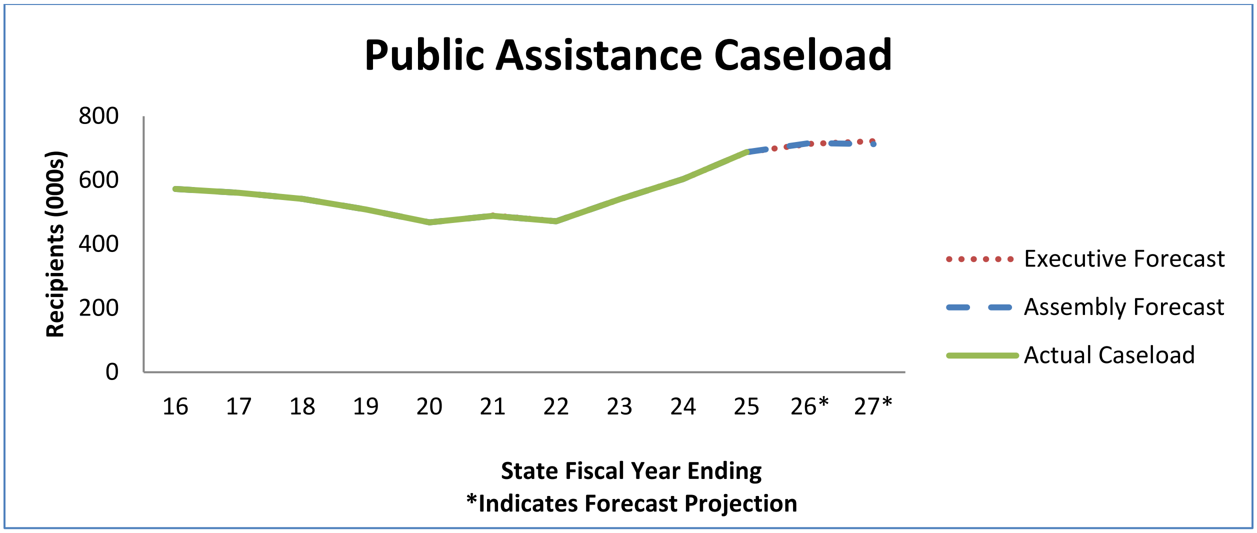

Figure 3

SFY 2024-25 Closeout

For SFY 2024-25, actual public assistance expenditures were $3.64 billion on an All Funds basis, with an average monthly caseload of 687,953. This represented a caseload increase of 14.0 percent over the previous State fiscal year (SFY), and a spending increase of $154.5 million, or 4.4 percent.

The actual caseload in SFY 2024-25 was 80,984 recipients higher than levels projected in the SFY 2024-25 Enacted Budget. At the time, expenditures for SFY 2024-25 were estimated at $3.35 billion, or $297.7 million lower than the actual spending level.

SFY 2025-26 Forecast

Assembly Ways and Means Committee staff estimates that public assistance spending will total approximately $3.80 billion on an All Funds basis in SFY 2025-26, with State share spending of $808.5 million, to provide benefits to 716,227 recipients. This represents an aggregate increase of $153.4 million and 28,275 recipients above the SFY 2024-25 closeout. Localities can expect to see a similar trend in their share of public assistance contributions. On a State Funds basis, the Committee staff projection is $13.2 million higher than the SFY 2025-26 Enacted Budget. At midyear, the Executive estimates expenditures for SFY 2025-26 at $3.84 billion on an All Funds basis ($807 million State share), approximately $195.2 million above the SFY 2024-25 closeout and $41.8 million above the Assembly estimate, with a State share of $1.5 million below the Assembly estimate. The Executive projects a monthly average caseload of 713,509, a 6.6 percent increase over SFY 2024-25. This estimate is 0.4 percent lower than the Assembly projection.

SFY 2026-27 Forecast

The Executive estimates that the caseload will increase to 722,013 (or 1.2 percent) in SFY 2026-27, with a State share spending of $824 million. The Ways and Means Committee staff estimates that the public assistance caseload will increase to 712,486, or 9,527 recipients below the Executive mid-year forecast. The Assembly estimates that the State share for public assistance expenditures will increase to $813.8 million, which is $10.2 million below the Executive's forecast.

Risks to the Public Assistance Forecast

New York State is experiencing an increase in the level of public assistance recipients, related to both policy and economic factors. The continued weak recovery of low wage employment from the COVID-19 pandemic has led to more individuals relying on public assistance. This recovery has been hampered in part by uncertainty regarding tariffs on key United States trading partners, and a sharp decrease in international tourism to the United States. The large degree of uncertainty in the national economy has caused economic models to project significantly less growth in real gross domestic product (GDP) than initially expected. Immigration has slowed and will not likely play a significant role in increasing the caseload. It is predicted that public assistance caseloads will be higher in the coming fiscal year due to these headwinds. However, the Assembly projects a year-over-year caseload decrease between SFY 2025-26 and SFY 2026-27, due largely to a decrease in TANF recipients. A family is only eligible to receive TANF benefits for a total of five years, and as many families began receiving TANF in response to the pandemic, those families will begin reaching their five-year limit in SFY 2026-27, and will no longer be eligible, thus reducing the caseload.

An important note is that while caseloads in New York City are rising, the monthly average payment (MAP) for TANF and Safety Net cases has declined slightly, reducing the cost per case to the state. This could be caused by a reduction in emergency benefit cases, which tend to have higher payments for a short duration or from the resumption of work requirements, which would lead to higher incomes for those receiving TANF and thus lower benefits payments.

Education

School Year 2025-26

The 2025-26 Enacted Education Budget provides a total of $37.5 billion in General Support for Public Schools. Of this amount, $37.2 billion is allocated through computerized school aid formulas. This amount reflects a year-to-year increase of approximately $1.8 billion from School Year 2024-25. The 2025-26 Enacted Education Budget also provided $311.5 million for non-computerized aids.

Foundation Aid remains the largest component of school aid at a total of $26.4 billion. The Foundation Aid formula was developed to take into account the needs of individual districts with low fiscal capacity and a concentration of high-need students. The 2025-26 State Budget increased Foundation Aid by $1.4 billion over the 2024-25 School Year. The Enacted Budget replaced the Census Poverty data with the Small Area Income and Poverty Estimates (SAIPE) data and the Free-Reduced Price Lunch (FRPL) with the Economically Disadvantage data. The Enacted Foundation Aid changes also increased the State Sharing Ratio Maximum from 91 percent to 93 percent. Additionally, the budget provided a higher regional cost index for Westchester and English Language Learners Weight, as well as a 2% year-over-year minimum increase to all schools.

Reimbursable Aids for School Year 2025-26 totaled approximately $9.7 billion, an increase of $226.9 million or 2.4 percent over School Year 2024-25. This included adding 9th grade students to school districts Special Services Aid and increasing the per-pupil amount for Career Education from $3,900 to $4,100. Starting on the 2026-27 School Year, BOCES teacher salary reimbursement will also increase from $30,000 to $60,000 over 3 years. The 2025-26 Enacted Education Budget also provided $1.2 billion in Universal Prekindergarten funding for school districts.

School Year 2026-27

School Aid increases are statutorily benchmarked to a ten-year average of the Personal Income Growth Index (PIGI), a measure of personal income growth in New York State. The School Year 2026-27 PIGI is 4.6%, or an increase of approximately $1.7 billion. Statutorily, this amount must support Foundation Aid, Reimbursable Aids and the payment of certain grants. However, the Legislature has traditionally overridden this cap, if necessary, to provide appropriate levels of school aid funding.

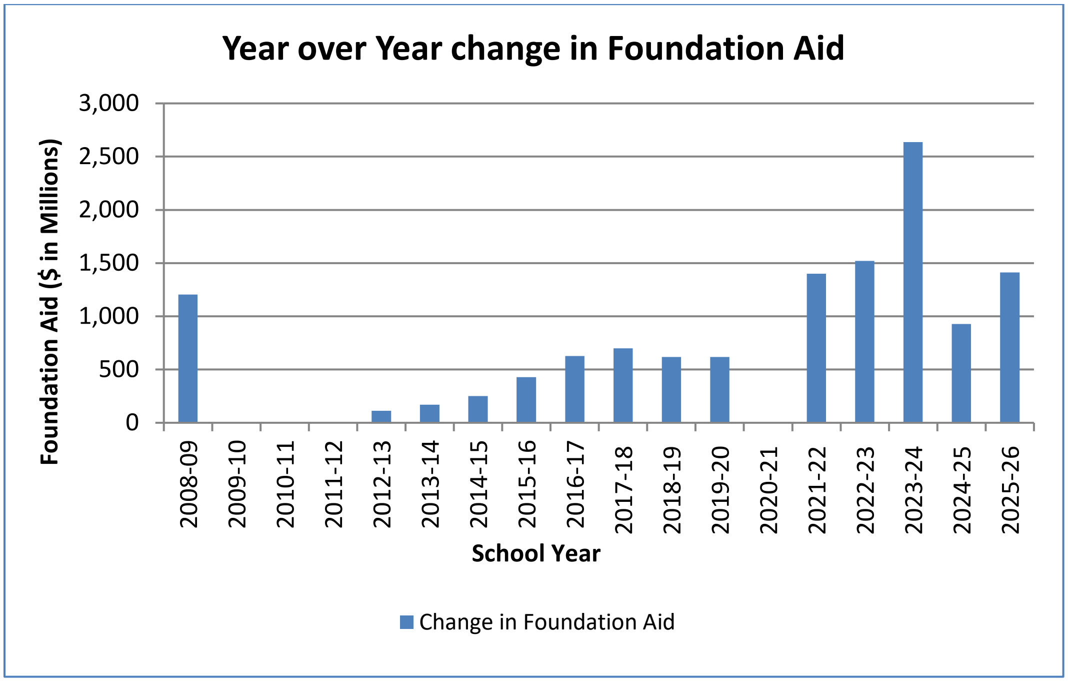

Figure 4

Statutorily, school districts will be eligible to receive inflationary increases from the Foundation Aid formula, along with any changes due to demographic factors. Due to a variety of factors, such as the ongoing Federal shutdown and increased volatility of economic trends, traditional methods of projection for the inflationary factor used to project Foundation Aid growth may be replaced with more appropriate methods. Taking these factors and demographic changes into account for the 2026-27 school year, the Assembly estimates a $948.6 million or 3.6% increase in Foundation Aid, for a total of approximately $27.3 billion. In the past, school districts have traditionally been given a minimum increase in Foundation Aid, though this is not guaranteed.

The Nelson A. Rockefeller Institute of Government published a comprehensive study of the Foundation Aid formula on December 1st, 2024. Several recommendations were incorporated into the 2025-26 Enacted Budget, including updated pupil need measures, revised regional cost indices, and local economic factors. As enrollment and economic conditions continue to shift, including uncertainty in the federal government policy and budgeting decisions, recommendations from the study may be revisited to better reflect school districts' needs in the Foundation Aid formula.

The State's Universal Prekindergarten (UPK) funding totaled $1.2 billion in 2025-26, which includes both prekindergarten funding via formula at a minimum of $5,400 per pupil, and the Statewide Universal Full Day Prekindergarten program (SUFDPK), which funds prekindergarten programs at $10,000 per pupil. This projection is the amount of State funding available to school districts for UPK programs and the actual amount spent by districts for the program is adjusted as enrollment counts are confirmed through the school year. However, for the 2026-27 State Fiscal Year (SFY), SED will revise its methodology for projecting UPK aid by applying a two-year average of actual utilization at the district level. This will result in a change to expected funding levels to reflect more accurate UPK aid projections. The maximum level available for school districts' UPK programming will remain unchanged.

Additionally, the State provides reimbursement for a variety of education expenses that school districts incur. Ensuring proper facilities, using shared services, educating students with special needs and transporting students to and from school safely are all part of providing a sound, basic education to students throughout the State. For example, beginning in 2027, school districts will be limited to purchasing zero-emission buses for any new addition to their fleets, which could cause an increase in transportation reimbursements for school districts. In developing estimates of growth in these and other formula-based aids, the Assembly has traditionally used an average of recent growth to reflect current expenditure levels. Due in part to the COVID-19 pandemic, the rate of change in formula-based aids has been drastically inconsistent, ranging anywhere from -16% to 21%. However, based on overall trends the Assembly estimates Reimbursable Aids will increase by $262.4 million or 2.72% for a total of $9.9 billion. The November 15th database is currently unavailable and will provide more specific data on projected growth.

YEAR TO YEAR AID GROWTH									
	2018-19	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27 (Estimated)**
Reimburable Aids	7,810,291,361	8,080,339,330	6,722,147,766	8,134,245,844	8,719,330,560	9,008,587,860	9,428,358,324	9,655,308,202	9,917,739,479
Change		270,047,969	(1,358,191,564)	1,412,098,078	585,084,716	289,257,300	419,770,464	226,949,878	262,431,277
% Change		3.46%	-16.81%	21.01%	7.19%	3.32%	4.66%	2.41%	2.72%

Source: State Education Department Local Assistance Tables

When accounting for increases in Foundation Aid and Reimbursable Aids, the Assembly projects School Aid will increase from $37.5 billion in School Year 2025-26, to $38.7 billion in School Year 2026-27, for a total increase of $1.2 billion or 3.2%. As noted above, more specific data will become available from the State Education Department on the projected growth of Foundation Aid and Reimbursable Aids with the release of the November 15th database. As the school year continues, the broader economic and policy trends may affect the various needs of the almost seven hundred school districts in New York State, necessitating changes that would impact our projections.

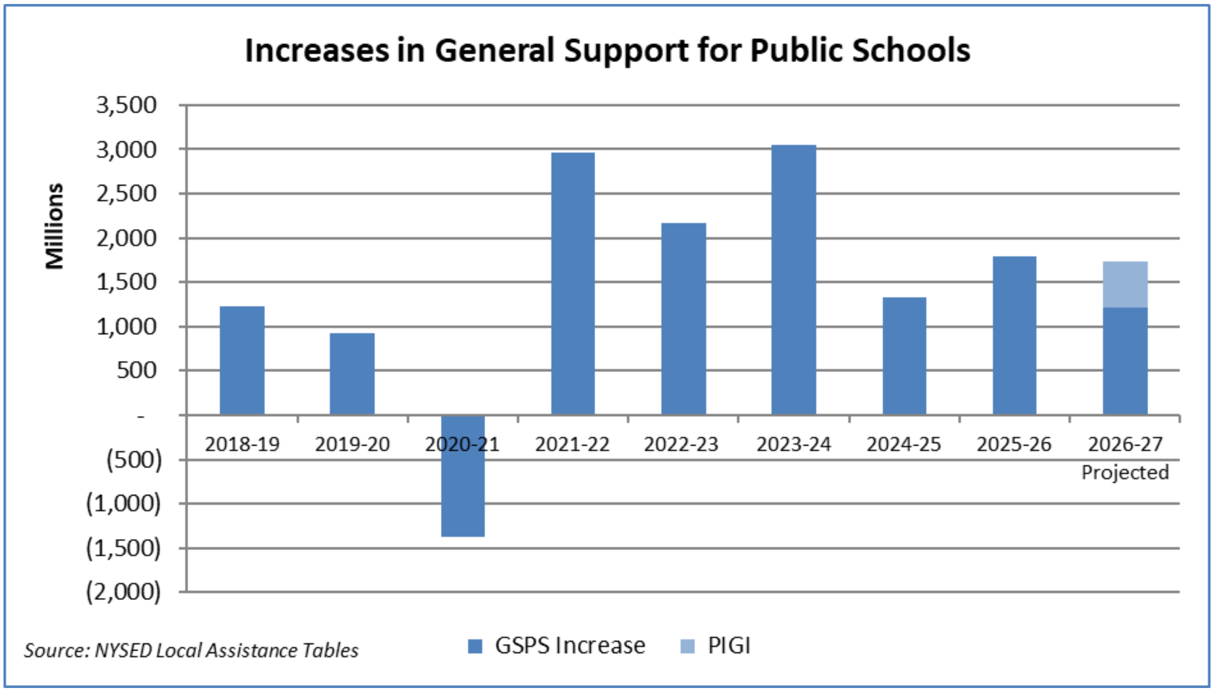

Figure 5

Federal Impacts to the Financial Plan

FEDERAL HOUSE RECONCILIATION H.R. 1 SAVINGS/(COSTS) ($ in millions)	SFY 2025-26	SFY 2026-27	SFY 2027-28	SFY 2028-29
TOTAL	**(952)**	**(3,548)**	**(4,395)**	**(4,292)**
TAX RECEIPTS (ALL FUNDS)	**(922)**	**(960)**	**(761)**	**(648)**
Corporate Franchise Tax	(900)	(950)	(780)	(660)
Personal Income Tax	(22)	(10)	19	12
HEALTHCARE	**(30)**	**(2,570)**	**(3,598)**	**(3,608)**
Disallowing Premium Tax Credit	0	(2,251)	(3,052)	(3,062)
Restrictions on Qualified Immigrants	0	(241)	(483)	(483)
Community Engagement Requirements	0	(50)	(40)	(40)
Reproductive Health Services	(16)	(5)	0	0
Vaccine Coverage	(14)	(23)	(23)	(23)
SNAP	**0**	**(18)**	**(36)**	**(36)**
Increasing Administrative Cost Sharing	0	(18)	(36)	(36)

Source: NYS Division of the Budget

On July 4, 2025, President Trump signed into law H.R. 1, a major piece of legislation that significantly changes how the Federal government funds healthcare and food assistance programs in New York State. This bill is expected to have significant impacts on Federal funding for State and local governments and the State's overall Financial Plan. It adjusts tax rates, deductions and credits, changes eligibility for Federal benefit programs, adds new community engagement requirements and modifies Medicaid and Supplemental Nutrition Assistance Program (SNAP) funding. Below is a summary of some of the major provisions included in the H.R. 1 Bill.

Healthcare/Medicaid

Starting January 1, 2026, some non-citizens will lose eligibility for premium tax credits, ending Federal support for that group in the Essential Plan (EP). Certain individuals – those under 138 percent of the Federal Poverty Level, pregnant/post-partum individuals, and Deferred Action for Childhood Arrivals (DACA) recipients – will move to Medicaid, costing the State an estimated $3 billion per year once fully implemented. To offset these costs, the Department of Health (DOH) has asked the Centers for Medicare and Medicaid Services (CMS) to cancel the State's 1332 Waiver and reactivate its Basic Health Program under the Affordable Care Act (ACA). This proposal is not reflected in the Mid-Year Update, as it is pending Federal approval.

Beginning January 1, 2027, States must implement Medicaid work and community engagement requirements. Non-exempt adults must complete at least 80 hours of work, education, or community service per month to stay eligible. Exempt groups include pregnant women, people with disabilities, and caregivers of young children. Between 750,000 and 1.5 million New Yorkers could be affected.

The State will also lose over $100 million in Federal funding for reproductive health and vaccination programs over the next few years. Federal restrictions on provider taxes will not affect the budget until FY 2030.

Supplemental Nutrition Assistance Program (SNAP)

Administration and most costs of SNAP benefits are currently handled by local social service districts. Effective October 1, 2026, the new Federal law increases the State/local administrative cost share from 50 percent to 75 percent. As a result, the State's share of these costs is projected to rise by $18 million in FY 2027 and $36 million in FY 2028 and subsequent years. Local governments will absorb the remaining increase unless further legislative action is taken.

Additionally, beginning October 1, 2027, a new non-Federal share of SNAP benefits, ranging from zero percent to 15 percent, will be introduced. Implementation may be delayed by up to two years, depending on the State's error rate during Federal Fiscal Years 2025 or 2026. Because the future Federal match rate is uncertain, the Financial Plan does not yet include these potential costs.

Federal Tax Law Changes

Finally, H.R. 1 permanently extended the reduced individual income tax rates and brackets established as part of the 2017 Tax Cuts and Jobs Act (TCJA), temporarily increased the $10,000 State and Local Tax (SALT) cap to $40,000 for certain taxpayers with incomes below $500,000. The increased $40,000 SALT cap will revert to $10,000 for all taxpayers after Tax Year 2029. The bill also contained various other individual tax provisions, including a new tax deduction up to $25,000 of tip income for certain taxpayers and a new tax deduction of up to $12,500 on overtime income for certain taxpayers, among other actions. Most of these actions are not expected to have a "direct" impact on State revenues, but they will lead to further changes in taxpayer behavior that may impact year-to-year State tax collections, particularly the temporarily increased SALT cap.

Finally, H.R. 1 also included a number of changes for corporate filers that will flow through and impact New York State Corporate Franchise Tax (CFT) collections. These actions include updated rules for business expenses and depreciation. Businesses will now be able to deduct more costs—such as research and development, production property depreciation, and small-business expenses—earlier, lowering short-term tax bills. While these adjustments are anticipated to be revenue-neutral over the long-term, they are expected to temporarily reduce business tax revenue during the Financial Plan period.