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State Fiscal Year 2027 Executive Budget Overview

A REVIEW OF KEY APPROPRIATIONS AND POLICY
PROVISIONS

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STATE FISCAL YEAR 2027 EXECUTIVE BUDGET OVERVIEW

Governor Kathy Hochul’s State Fiscal Year 2027 Executive Budget Proposal—her fifth Executive Budget Proposal—totals \$260 billion in All Funds spending, a 0.7% increase over Fiscal Year 2026, with state operating funds totaling \$157.6 billion, 5.7% increase over Fiscal Year 2026.

Hochul’s budget reflects the reality that 2026 is a gubernatorial election year. The proposal is centered on affordability and maintains her focus on families and the middle class. This year’s theme is **“Your Family. Your Future. My Fight.”** In keeping with election-year dynamics, the budget has no new income taxes, as Hochul has been consistent in opposing any personal income tax hikes, including a tax increase on the wealthiest New Yorkers (a proposal being pushed by many progressive state legislators). The budget also takes a “don’t rock the boat” approach and is noticeably lighter on policy than previous years, particularly in the healthcare space.

The Trump administration also looms large over the budget this year. HR.1, also known as the “One Big Beautiful Bill Act,” substantially changed the flow of federal funds to New York State—primarily in healthcare—when it was passed in Congress and signed by President Trump last July. The most drastic of these cuts do not come into effect until next year; however, the impact was still substantial this year: current federal cuts total \$10.3 billion, a 11.4% decrease in federal funding.

As a result, the debate over how much state revenue needs to be raised to fund initiatives—especially those focused on New York’s most vulnerable—sets up a collision among Hochul, the Legislature, and, significantly, New York City Mayor Zohran Mamdani. For example, Mamdani responded to the Executive Budget Proposal with, “It is time to ask New York City’s wealthiest and large corporations to pay their fair share, while also working toward a fiscal relationship with the State that better reflects New York City’s status as the economic engine of the state.”

Furthermore, New York City is facing a budget deficit of over \$12 billion, and across the State, many municipalities are facing similar dire straits; in Buffalo, Mayor Sean Ryan faces a roughly \$50 million deficit. Expect the Legislature to embrace the idea that the State itself needs to pitch in. With a tightening long-term fiscal picture, that will be hard (or impossible) to do without new or additional sources of revenue.

On the lack of policy, one person sounded a positive note. A familiar dynamic in the budget process is Assembly Speaker Carl Heastie’s frustration with the Executive Chamber’s insistence on advancing policy through the budget—often at the expense of timeliness on April 1. Heastie expressed relief at the lighter-than-normal policy load in the Executive

Budget, offering, “There’s less policy than normal, so maybe I’m getting into the governor's ear a little bit.”

That said, there will be a number of fights on policy that could—and likely will—complicate discussions. Already, legislators have indicated concerns about several of the Executive Budget’s proposals, and in some cases, a lack thereof. For example, Hochul is pushing to amend the State’s Environmental Quality Review Act (“SEQRA”) to expedite development and provide additional procedural carveouts primarily for housing projects. Heastie says SEQRA and Hochul’s proposal to take on the auto insurance industry (both outlined further below) will be two of the biggest fights.

Further, regarding the lack of policy, expect immigration and the protection of immigrants (legal and otherwise) to be at the top of the list. [New York for All](#)—legislation that would prevent any state or local coordination with Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP)—is the top priority for legislators who do not see the Executive Budget as going far enough to protect undocumented immigrants. Hochul has been non-committal, saying only “...[she] will review any pieces of legislation that pass the Legislature.”

What’s Next?

The Legislature will begin Joint Legislative Budget hearings starting Tuesday, January 27, and running through February 26th. See the full schedule [here](#). Based on past years, Legislative One-House Budgets will likely be released the week of March 9th. State Fiscal Year 2027 starts April 1, 2026, but the past three fiscal years have been anywhere from three weeks to over a month late.

Economic Trends in SFY 2027 & Beyond

Last summer, the statewide dialogue focused on the catastrophic fiscal picture that Budget Director Blake Washington and Governor Kathy Hochul would face at the start of State Fiscal Year 2027. [Per the Budget Director’s Technical Presentation](#), that picture has improved significantly, primarily on the back of strong Wall Street performance.

In October, Mid-Year Revenue Revisions raised revenues significantly, to \$1.6 billion in the current FY 2026 (1.3% increase) and \$4.3 billion in FY 2027 (3.7% increase). The Executive Budget projections improved further, with increases of \$5.3 billion in the current FY 2026 and \$11.7 billion in FY 2027 (a 9.9% increase). Washington has indicated that these upward adjustments give New York a healthy cash balance to close budget gaps while *also* making significant investments in new initiatives, *all without raising taxes*.

However, the Budget Director was careful to emphasize the economic challenges that remain on the horizon:

- US Economy Still Faces Headwinds in 2026
- GDP Growth Expected to Decelerate
- Labor Market stuck in “No Hire, No Fire” Phase
- Unemployment Rate Projected to Peak at 4.6%
- Inflation is Expected to Rise Above Fed Target
- Interest Rate Reductions Might Not Come until mid 2026

The Executive Budget also projects concerning—though improved—out-year budget gaps of \$6 billion in SFY 2028, \$9 billion in SFY 2029, and \$12.5 billion in SFY 2030. While these out-year gaps have been adjusted downward further in the October Mid-Year Projections, nonetheless, from the Executive’s perspective, they still underscore the need for spending controls, especially in the Medicaid Program.

Consumer Protections & Affordability

Perhaps the most policy-heavy focus of the Executive Budget Proposal is protecting consumers and increasing affordability across New York. In her State of the State Address, Governor Hochul declared, “We’re building on our promise to protect New Yorkers’ private data, putting money back into the pockets of workers, and fighting for employees and students statewide. Hardworking New Yorkers should not be taken advantage of by bad actors online, in the workplace, or anywhere else, and these proposals will enhance safeguards for workers and consumers alike.”

Among the proposals on consumer protection and affordability, the Executive Budget includes provisions aimed at **residential energy affordability**, including aggressive language requiring disclosures of executive compensation at utilities, tighter controls on utility rate regulation, and publishing of utility “energy affordability indexes” for residential consumers; **homeowners insurance pricing**, including provisions that require insurers to publish Loss Ratio Benchmarks, as well as provide opportunities for premium reductions; **auto insurance affordability**, including various opportunities for premium reductions and preventing fraud in the industry, as well as a proposal to require **data brokers** to register with the State Department of Financial Services and give consumers in New York the right to have their data deleted.

Healthcare & Mental Health

One of New York’s biggest battles over the past several Fiscal Years has been reining in Medicaid spending while maintaining what is perhaps the nation’s most complex healthcare ecosystem. New York currently spends almost \$1,000 more per capita than the next closest State.

This year’s \$122.9 Billion Medicaid Budget (\$65 Billion Federal Share/\$48.5 Billion State Share) also contends with a shrinking federal share with cuts from H.R.1. Those changes go

further than the fiscal impacts; changes to work requirements in Medicaid, Affordable Care Act waiver programs, and other parts of H.R.1 will mean hundreds of thousands of New Yorkers will be left looking for insurance coverage, adding costs in many other ways in the form of funding indigent care and unreimbursed emergency room visits, for example.

In more positive news, H.R. 1 created the Rural Health Transformation Program, intended to transform the healthcare delivery system and improve access to and the quality of healthcare in rural communities throughout the State. The New York State Department of Health secured \$212 million for the first year of the RHT demonstration to help expand networks and integration among hospitals, Federally Qualified Health Centers, and other Medicaid providers in rural regions, strengthen the rural healthcare workforce pipeline, and expand innovation and technology initiatives.

Other notable health provisions in the Executive Budget Proposal include:

- **Independent Dispute Resolution (IDR) Managed Care Carve Out**—The state budget proposes excluding Medicaid claims from non-participating providers for services rendered to Medicaid beneficiaries from the State’s IDR process. This proposal sets up a fight between health plans and providers throughout the State that will dominate a large part of health budget discussions.
- **Prior Authorization Reforms**—The Budget makes a number of changes to prior authorization and utilization review processes for commercial insurers.
- **Vape & Nicotine Tax & Enforcement**—The Governor has proposed a pair of proposals to implement an excise tax on alternative nicotine products (i.e. Zyn) as well as a distribution tax on vapor products and a registry of vape products.
- **OASAS/OMH Integration**—The Executive Budget includes language giving the Office of Mental Health and Office of Addiction Supports and Services powers to issue joint licensure for providers providing both Addiction and Mental Health Services.
- **CON Reform**—New York State’s Certificate of Need/Article 28 Process—which governs hospitals and healthcare facilities (including nursing homes) and must be approved before new facilities are operational—is often criticized by providers as onerous and burdensome. The Executive Budget Appropriated \$11 million to transform the CON process and streamline review procedures.
- **Supplemental Rebates**—In parallel to presenting the Executive Budget, Hochul directed the Department of Health—under existing administrative authority—to engage in expanded negotiations with pharmaceutical manufacturers in Medicaid on certain high-cost drugs in the Medicaid program to help raise revenue in the Medicaid program.

Education

The Governor’s Executive Budget Proposal increases School Aid by \$1.6 billion for a total of \$39.3 billion, and increases Foundation Aid by \$779 million for a total of \$27.1 billion. Perhaps the most significant proposal in the Education Budget is Hochul’s plan to expand Universal Pre-K (“UPK”) to all Four-Year-Olds Statewide by the State Fiscal Year 2029. The Executive Budget provides additional aid to support UPK statewide, increasing districts’ aid to the higher of \$10,000 or their current selected Foundation Aid per pupil. The Budget also supports Mayor Mamdani’s UPK proposal for NYC with a \$561 million increase (52.5% over SFY 2026 levels).

Especially in the Senate’s response, we expect a push for parity between NYC’s UPK program and the phased-in approach statewide. [“There is going to be a push for parity. No one wants to take away child care from families in New York City. I support expanding access in New York City, but we should be increasing that access everywhere in the state,” said Senator James Skoufis, who represents Orange County, in response to the Executive Budget.](#)

Labor & Workforce Protection

The Budget was lighter on provisions for organized labor, which will likely be an area where the Legislative One-House Proposals expand. A couple of key issues that were not addressed in particular: [the long-standing push for better definition and clarity of public works projects](#); requiring prevailing wage on private construction projects receiving 20% of the total cost in public subsidies; and potentially abolishing the Public Subsidy Board, which is currently responsible for their review. The Legislature may also force the discussion of a proposal to clarify that projects receiving [Brownfield Redevelopment Tax Credits under the Brownfield Cleanup Program are public works and therefore require prevailing wage.](#)

In keeping with her mantra of protecting working families and maintaining affordability, Hochul did include a couple of key workforce/labor protections, notably giving District Attorneys additional tools to fight wage theft and worker misclassification, an ever-increasing scourge everywhere but especially in the construction industry. Notably, these proposals closely follow proposals passed by the legislature, but are vetoed for having a financial impact outside the budget.

- **Workers Compensation Fraud**—After vetoing legislation at the end of 2025 to establish a Workers Compensation Fraud Commission, Hochul included language increasing Workers’ Compensation Employer assessments to fund a grant program that supports District Attorneys in investigating Workers’ Compensation Fraud.
- **Broader Wage Theft**—The Executive Budget Proposal also includes \$5 million in annual funding for a grant program through the Department of Labor to support district attorneys in broader efforts to combat wage theft.

Economic Development

Hochul's Budget continues her focus on Economic Development. It includes major investments to spur growth in the Biotech and Quantum Computing industries as well as continued level funding for key programs, including the Regional Economic Development Council Initiatives and the Promote Opportunity with Electric Readiness for Underdeveloped Properties (POWER-UP).

This year, Hochul made Monroe County and the City of Rochester the centerpiece of her regional strategy. Much like Hochul's \$400 million investment in Downtown Albany last year, this year's focus is on Rochester, with a major \$300 million investment—\$225 million for the Rochester-Monroe Transformation Initiative to support various projects across the City and \$75 million to support the development of High Falls State Park.

Hochul also included some minor modernization of the Alcohol Beverage Control Law. The proposals include new licenses for Adult Care Facilities and Airport Lounges, licenses for colleges and universities, and early-morning sports bar permits. It also proposes expanded opportunities for small producers and provisions allowing movie theater alcohol sales to be permanent. Notably absent is the modernization of Prohibition-era rules on off-premises retail licensing that enjoys broad support across New York. Outside of this, Hochul also included language that would eliminate income taxes on Tipped Wages with limits and thresholds. All of these proposals point to her support for the struggling hospitality industry across the State.

As part of her "Let Them Build" Housing Agenda, Hochul is proposing major changes to the State Environmental Quality Review Act (SEQRA), which requires all state and local governments to assess the environmental impacts of new housing developments, a lengthy and costly process that advocates say [has delayed housing projects across the State for years](#). The balance between speeding up projects and maintaining environmental assessments, a give-and-take that environmental advocates see as essential, sets this proposal up to be a major fight in this year's budget process. ["Every municipality has a very unique personality, unique populations, unique needs... Some municipalities might have more scenic vistas that you want to account for, more historic \[and\] cultural resources that should be included and considered before an exemption is granted," said Drew Gamils, a senior attorney with Riverkeeper.](#)

Finally, Hochul joined in on the 2026 FIFA World Cup excitement, including \$6 million to establish the **New York Kicks: A World Cup Legacy Investment Fund**, which will help build and support youth soccer infrastructure in disadvantaged communities across the State.

Housing

Since first taking office, Hochul has made tackling the State’s critical housing shortages a priority. This budget maintains those commitments with a continuation of the \$100 million in capital funds for Pro-Housing Communities, a \$250 million fund for Low Income Housing Construction, and a continuation of the Housing Access Voucher Program, among a number of programs she is continuing to fund after helping establish them over the past several budgets.

Other notable proposals in this budget include legislative language to increase the cap on the number of Land Banks that can be established from 35 to 45, a reform of the J-51 Tax Incentive Reform Program to better support capital repairs in New York City’s rent-stabilized housing, and a new Manufactured Homes Park Improvement Revolving Loan Fund, providing funds for manufactured home park owners for improvements to critical infrastructure.

Outside of what was in the Executive Budget, subsidies to spur Office-to-Residential Commercial Conversions throughout Upstate New York will likely be a part of negotiations, and likely the final budget, as developers, employers, and other stakeholders try to find ways to increase housing in downtown corridors throughout Upstate New York that have struggled since the pandemic.

Higher Education

The Executive Budget proposal included \$244 million in new state operating support for SUNY and CUNY campuses, including \$120 million for fringe benefit increases and \$90 million in general operating support. The budget also provides \$1.1 billion in new capital for SUNY and CUNY campuses. At the same time, the higher education budget carries Hochul’s affordability message by freezing in-state tuition for SFY 2027.

In terms of bolstering R&D at SUNY and private universities, the proposal also includes a number of new initiatives, including \$65 million for the Bolstering Biotech Initiative, which will support the life sciences sector, from discovery to commercialization; \$85 million to develop a semiconductor chip design center and four quantum technology commercialization hubs.

Transportation

The Executive Budget Proposal does NOT include funding for Mayor Mamdani’s proposal to make city buses free, which was a major priority in Mamdani’s campaign platform. Free buses in NYC will be one of the thornier conversations between Hochul and the Legislature. Hochul did not shut the door on the proposal altogether, saying “[n]othing is a permanent ‘no,’ we’re having conversations.” Senate Deputy Majority Leader Mike Gianaris, who sponsored [a pilot program for free buses on five lines in 2023](#), said he would be surprised if it takes more than one legislative session to make buses free Citywide.

The Proposal included modest increases in State Mass Transit Operating Aid (“STOA”) throughout the State:

- MTA: \$8.6 Billion in state Aid—5.8% increase over FY 2026
- Upstate Non-MTA: \$370 Million—5.8% increase over FY 2026
- Downstate Non-MTA: \$640 Million—7.4% increase over FY 2026

It also included some major Capital investments in the MTA’s facilities, including \$50 million to support Jamaica Station revitalization and \$25 million for engineering for the Second Ave Subway Crosstown. The budget includes \$200 million for overall Non-MTA Capital.

Upstate transit authorities will be pushing the Legislature to increase the 5.8% figure in the Executive Budget Proposal; their ask for 2025 is a 15% increase in STOA. Dedicated revenues—including a [proposal to expand a supplemental DMV registration fee in the MTA service area to Upstate Counties](#)—that can help close increasing operating deficits will also be a priority. Public transportation is increasingly seen by the legislature as a key part of economic development conversations and broader equity efforts.

Energy & the Environment

[As the fight between Hochul and the Trump administration over the future of New York’s marquee wind projects rages on in the background](#), the Executive Budget Proposal was noticeably light on Energy and Environmental Proposals. The most significant development in energy this year was Hochul’s order to the Public Service Commission and New York Power Authority to establish programs to support the development of 5 gigawatts of nuclear energy. This underscores Hochul’s continuing shift to an “all of the above” energy approach that contrasts with the long-standing, somewhat strict focus on solar and wind.

Hochul committed an additional \$3.75 billion for clean water infrastructure—\$750 million per year for 5 years—for coastal resiliency and water infrastructure projects critical to supporting New York’s most geographically vulnerable areas in the face of climate change.

In her State of the State Address, Hochul directed the Public Service Commission to develop the *Energize NY Development* initiative, which will streamline the interconnection process for new loads coming online, as well as force the growing data center industry to shoulder the cost with higher energy rates, reflecting what she says is their fair share for their impact on the State’s grid.