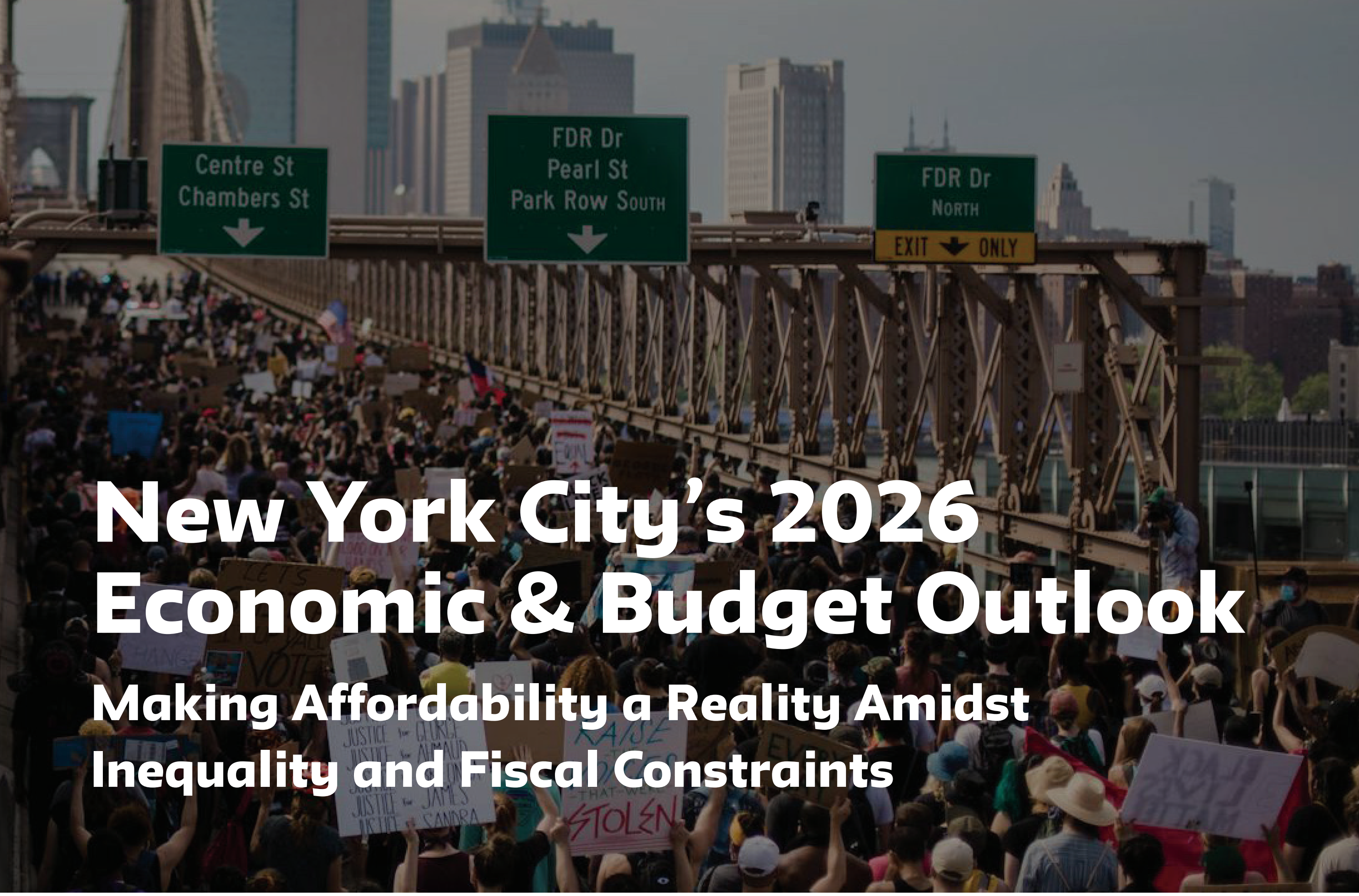

New York City's 2026 Economic & Budget Outlook

Making Affordability a Reality Amidst Inequality and Fiscal Constraints

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EXECUTIVE SUMMARY

New York City is looking towards 2026 with hope, after one of the most exciting and consequential local election campaigns seen in decades. Much of that hope stems from the fact that incoming Mayor Zohran Mamdani combined a recognition of the broad affordability crisis facing New Yorkers with a bold policy agenda, making transformative change and relief feel truly possible.

But the incoming mayor will be starting with a particularly challenging economy and fiscal policy constraints, due to both longstanding inequities and the Trump administration's actions in 2025. New York City is already the most economically unequal city in the country. It is home to both some of the nation's wealthiest people and also has a large percentage of residents living in poverty, due to persistent unemployment and low-wage jobs. Over the past year, the Trump administration and Congress have exacerbated that inequality and created more challenging economic conditions and fiscal policy constraints for local policymakers.

In this report, "New York City's 2026 Economic & Budget Outlook: Making Affordability a Reality Amidst Inequality and Fiscal Constraints," the Center for New York City Affairs (CNYCA) provides insight on the challenges incoming Mayor Mamdani, Governor Kathy Hochul, and the City and State legislative branches face. We find:

Economic Outlook: Key Findings

New York City's economy slowed in 2025, but has proven more resilient than other parts of the country. The city's economy is expected to face continued slow growth or a possible contraction in 2026.

- Measured by private sector payroll jobs, the city's economy grew 0.7 percent from January to September 2025, slower than its 1.6 percent growth during the same period in 2024.[1] The city's job growth was better than the nation's and that in many other large metropolitan statistical areas (MSAs) in the country, some of which experienced declines in 2025.
- New York State is "treading water," meaning the state is already experiencing a significant economic contraction.[2] Over half of U.S. states are currently at risk of recession or are similarly "treading water."
- U.S. real GDP growth in 2025 has been markedly volatile, a reflection of many federal policy actions–from tariff increases to aggressive and deliberately cruel deportation efforts–which are impacting all facets of the economy.

1. New York City Office of Management and Budget, NYC Employment Data (Seasonally Adjusted), September 2025, December 11, 2025.
2. Mark Zandi, "23 States in Recession Reveal Fragility of the U.S. Economy," LinkedIn, October 22, 2025.

New York City job growth continues to be concentrated in a few industries, which impacts labor market and wage inequality as well as local tax revenue.

- From January to September 2025, the city netted 25,684 non-farm payroll jobs. However, most sectors of the economy—with the exception of health care and social assistance, government, and warehousing—had zero or negative job growth in 2025.
- Despite the Trump administration's gutting of the public sector, New York City did not experience a decline in government jobs as of September 2025. However, public and private sector jobs in New York City are at risk as a result of the One Big Beautiful Bill Act (OBBBA) which became law in July 2025. For example, one in five payroll jobs in the city is in health care and social assistance, where Medicaid access – which OBBBA will curtail – contributes to demand for services.
- 2025 was another strong year for the city's tech sector and for Wall Street, where profits could reach $60 billion in 2025, a historic record. However, that success is largely connected to artificial intelligence (AI), a factor which also exposes the city to a variety of risks. AI investments will not only have future labor market impacts, but also create boom-bust dynamics. If the AI bubble were to collapse, resulting income and investment losses on Wall Street would have a direct impact on City services and programs. The City and State receive substantial personal income tax (PIT) revenue from Wall Street salary and bonus income.

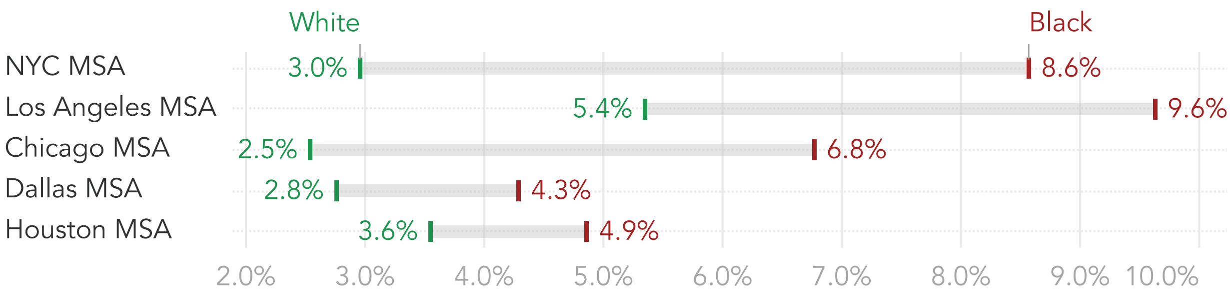
New York City shows deepening signs of labor market inequality, negatively impacting workers of color.

- The NYC-NJ MSA has the largest Black-white prime age (25-54) unemployment rate gap in the country, a key indicator of labor market inequality. (See Figure 1.)
- As of the third quarter of 2025, white men and – especially – white women were doing well compared to the same period in 2024, and to before the pandemic. The stability of white workers in the face of a sluggish and uncertain economy is distinct from the experiences of workers of color.
- Women of color have experienced post-pandemic increases in employment rates, but with more volatility. Men of color, on the other hand, have all experienced a decline in their employment rate, comparing 2020 to today. Concentration of job growth in traditionally female-dominated industries, like health care, and job decline in male-dominated fields, like construction, only partially explain these gendered outcomes for workers of color.
- Dramatic shifts in Hispanic men's and women's labor force participation rate reflect the economic impact of the Trump administration's deliberately cruel deportation efforts, which have disproportionately targeted Hispanic men. Additionally, non-citizens also dropped out of the labor force significantly over the past year, potentially reflecting a range of issues, from difficulties obtaining visas to the chilling effect of deportation actions.
- The employment rate of people holding a bachelor's degree dropped 3.6 percentage points over the past year. In the face of economic and federal funding uncertainty, firms may be operating under a "last hired, first fired" approach. This approach has historically disproportionately impacted Black workers.

Figure 1

NYC metro area Black-white unemployment rate gap is the highest of major U.S. metro areas

Q3 2025 prime age (25-54) unemployment rate, 4-quarter moving average



Source: CNYCA analysis of Bureau of Labor Statistics, Current Population Survey

Poverty and Inequality Exacerbated by OBBBA: Key Findings

With a higher poverty rate than the state and the country, New York City is one of the most exposed places in the U.S. to OBBBA changes to health insurance and SNAP eligibility.

- OBBBA changes to health insurance and SNAP target low-income and immigrant households, including 2.9 million New York City residents who live below 200 percent of the Federal Poverty Line (FPL).
- In January 2026, OBBBA's cuts to the Essential Plan, a New York State health insurance program for low-to-moderate income residents who don't qualify for Medicaid, will place an estimated 134,114 low-income New York City documented non-citizens at immediate risk of losing coverage. An additional 303,123 documented non-citizens will be moved onto State Medicaid, as required by the State Constitution.[3]
- In March 2026, work requirements go into effect for Supplemental Nutrition Assistance Program (SNAP) recipients who are able-bodied adults without dependents (ABAWD), putting roughly 230,000 recipients at risk of losing SNAP benefits in 2026.[4]
- In 2027, work requirements will go into effect for an estimated 725,702 New York City Medicaid recipients, putting them at direct risk of losing Medicaid coverage.

3. CNYCA analysis of Governor Kathy Hochul, "Governor Hochul and House Democratic Leader Hakeem Jeffries Warn of Detrimental Impacts of President Trump's One Big Ugle Bill," June 1, 2025.
4. Office of the New York City Comptroller, New York by the Numbers: Monthly Economic and Fiscal Outlook (No. 107), November 13, 2025.

New York City has the highest income inequality of any major U.S. city, which will only be exacerbated by OBBBA income tax changes.

- New York City's high and rising Gini coefficient (a standard measure of income inequality) indicates an increasingly polarized income structure, where the gains of economic growth are concentrated among a relatively small share of residents. This growing inequality is driven by strong wage growth among the top three percent of wage earners (those earning $312,000 or more in 2024 before taxes) compared to the rest of workers.[5]
- These dynamics contributed to a 4.9 percent decline in real median household income in New York City from 2019 to 2024. This is opposite the national trend, where real median household income increased 0.9 percent during the same period. None of the nation's other 10 largest cities experienced a statistically significant decline in inflation-adjusted median household income during this time.[6]

  OBBBA income tax and benefit changes will result in the low-income households, with an average annual income of $38,840, experiencing an annual after-tax income loss of $1,200 going into effect in 2026. Households with an average income of $517,700 will experience an annual after-tax income gain of $13,600. (See Figure 2.)

Figure 2

Distributional Effects of OBBBA on Households

Income Decile	Average Household Income	Change in After-tax Income
1st (bottom)	$38,840	−$1,200
5th	$105,480	$800
6th	$122,120	$1,200
10th (top)	$517,700	$13,600

Low-income households, like those in the 1st decline, are projected to experience reductions in Medicaid and SNAP due to OBBBA. Estimates for 1st decile households are negative because the loss of Medicaid and SNAP will more than offset the tax reductions these households will receive.

Source: CNYCA analysis of Congressional Budget Office, Distributional Effects of Public Law 119-21, August 11, 2025.

5. Mohamed Obaidy, While the Top 3 Percent of Wage Earners Get Richer, New York City's Low-Wage Workers Risk Greater Poverty, Center for New York City Affairs, February 26, 2025.
6. CNYCA analysis of U.S. Census Bureau, American Community Survey.

Fiscal Policy Outlook: Key Findings

OBBBA business tax changes will lead to a loss of an estimated $2.9 billion in State revenue and $520 million in City revenue if the State does not move to decouple its business tax code from federal law.

The Trump administration has attempted to cut many federal funding sources that City agencies rely on. Many of these threats are currently being challenged in court or have not been finalized. However, a number of cuts are currently impacting City programs and projects:

- Head Start programs face a $70 million annual loss over the next five years.
- New York City Health + Hospitals (H+H) projects a $1.5 billion reduction in revenue for City Fiscal Years 2026-2029 from OBBBA cuts to Medicaid.
- The Trump administration is currently withholding $12 billion in federal grants for the Gateway Project to construct a passenger rail tunnel between New York and New Jersey, effectively cancelling the project.
- The Trump administration is currently withholding $3.4 billion for Phase 2 of the Second Avenue Subway.

New York State will likely be able to maintain budget balance in State Fiscal Year (SFY) 2027. The picture is less bright for future years, which the State should start preparing for now.

- The current (SFY 2026) revenue forecast is strong, with higher than anticipated tax revenues, related to better than expected economic growth in 2025. Indeed, current forecasts are likely underestimates, because they do not fully incorporate strong performance of the local financial sector in 2025.
- The State has large budget gaps in later "outyears," related to the growing impact of OBBBA. The Division of the Budget (DOB) estimates the impact of OBBBA in SFY 2026 is $952 million. It then grows rapidly to $3.6 billion in SFY 2027 and $4.4 billion in SFY 2028.[7] Several independent studies estimate the impact of OBBBA benefit changes on the State budget to be even larger.[8]

New York City's budget is barely in balance, but projects growing deficits for City Fiscal Years (CFYs) 2027 to 2029.

- In January 2026, the incoming mayoral administration will need to present a financial plan with CFY 2027 in balance. The City currently forecasts a budget gap of $4.7 billion for CFY 2027 (and a larger budget gap in CFY 2028).
- City revenue forecasts reflect strong PIT revenue, related to better than expected economic growth in 2025. These forecasts underestimate revenue strength, because they do not yet incorporate the strong performance of the financial sector in 2025.
- City revenue forecasts reflect weak business tax revenue.

Funds available outside of current State and City revenue sources are limited.

- New York State's $14.6 billion in principal reserves are not sufficient to permanently fill the OBBBA-related federal funding gap. However, the State could use its reserves to address gaps

7. New York State Division of the Budget, FY2026 NYS Enacted Budget Financial Plan Mid-Year Update, October 2025.
8. Jillian K. Bronner, An Analysis of the One Big Beautiful Bill Act (OBBBA)'s Impact on Healthcare for New York, Rockefeller Institute of Government, July 10, 2025; Michael Kinnucan, The State is Understating Threats to NYS Medicaid After OBBBA, Fiscal Policy Institute, July 25, 2025.

in SFY 2027 and SFY 2028. The State should also seriously consider drawing on these reserves in the next fiscal year for short-term, one-time fiscal needs that have economy-wide benefits, as it did last year with the unemployment insurance (UI) system.
- Policymakers must be cautious concerning adding debt burden to the City. Future debt issuance should be conservative and targeted and can only be used for capital projects. Per the Office of the New York City Comptroller, the City has $29.9 billion in remaining debt issuance capacity (out of a total of $140.6 billion total debt capacity).[9]

Recommendations

Incoming Mayor Mamdani's campaign slogan "afford to live and afford to dream" reflects his bold policy agenda to confront that precarity. Much of his agenda includes more public provisioning of basic necessities to offset costs on individual households. That will require significant public investment at a time when federal actions have multiple downstream effects on the State and City budgets that threaten the existing public infrastructure and institutions that all New Yorkers rely on and that will disproportionately impact low-income and immigrant households.

This section includes two types of recommendations. First, we recommend ways the City and State can address critical funding needs this year and beyond. Second, we recommend policy tools to facilitate inclusive economic growth that directly mitigates rising poverty and inequality.

A. How policymakers can address funding needs in FY 2027 and beyond.

1. Take steps to retain every federal dollar immediately.
    - The State should decouple OBBBA business tax changes from New York tax law.
    - The State and City should invest in agency staffing; outreach; and innovation in applications, programs, and systems (like ACCESS HRA) to minimize the likelihood that people will lose SNAP and Medicaid due to new work eligibility and reporting requirements.

2. The State should use its funding reserves in FY 2027 for short-term, one-time investments that can counteract the negative impact of federal actions on State and City programs and services.

3. The State and City should pass progressive City tax reforms in FY 2027 to address long-term needs for additional City revenue. Given increased inequality, exacerbated by OBBBA, priority should be given to revenue raisers that facilitate wealth redistribution. Some options include:
    - The State should add one or more brackets with higher rates to the City's personal income tax.
    - The City should rescind the Madison Square Garden property tax exemption.
    - The City should negotiate a payment in lieu of tax (PILOT) from private universities and hospitals that are currently exempt from property taxes under State law.
    - The City should implement comprehensive property tax reform, such as those recommended

9. Office of the New York City Comptroller, Annual Report on Capital Debt and Obligations, Fiscal Year 2026. December 1, 2025.

by the NYC Advisory Commission on Property Tax Reform.
- The State and City should actively explore new revenue raising proposals together.

B. How policymakers can facilitate inclusive economic growth.

1. The State and City should maintain services and programs, with a commitment to residents facing extreme hardship. This includes:
   - Preserving and maintaining existing universal core services and programs that benefit all New Yorkers.
   - Prioritizing benefits programs and administration.
   - Safeguarding immigrants.
2. Protect workers.
3. Establish and enforce higher labor standards for workers in low-wage occupations.
4. Prioritize neighborhood small business and job opportunities.
5. Direct fiscal stimulus to public works that can create high-quality jobs.

1. INTRODUCTION

New York City is looking towards 2026 with hope after one of the most exciting and consequential local election campaigns in decades. Part of that hope stems from the fact that the election, which centered on affordability, made many New Yorkers who believed they had been ignored feel heard and seen. Incoming Mayor Zohran Mamdani combined a recognition of the broad affordability crisis with a bold policy agenda, making transformative change and relief feel truly possible.

But Mamdani will also face a particularly challenging economy and fiscal policy constraints, due to both longstanding inequities and the Trump administration's actions in 2025. New York City is already the most economically unequal city in the country. It is home to both some of the nation's wealthiest people and also a large percentage of residents living in poverty, due to persistent unemployment and low-wage jobs. The Trump administration and Congress, through the passage of the One Big Beautiful Bill Act (OBBBA), are exacerbating this inequality and creating more challenging economic conditions and fiscal policy constraints for local policymakers. (See Glossary.)

Mamdani, Governor Kathy Hochul, and the City and State legislative branches therefore face an unusually challenging balancing act. They must commit to making real, meaningful progress to address affordability. They will also need to meet the needs of the city's most vulnerable low-income and immigrant households, who will be (or are) at risk of losing critical social supports – from health insurance to nutritional assistance – due to OBBBA changes to programs that rely on significant federal funding. Heightening the need to address these priorities: a stagnant and uncertain economy that is unlikely to facilitate the job growth and wage gains most New Yorkers need for economic security.

One important political strategy in this balancing act is to center the promise of universal programs. From the New Deal to the present, history shows that universal social programs such as Social Security and Medicare are less likely to face subsequent cuts or elimination precisely because they benefit everyone, including wealthy and politically connected people.

Commitments to develop universal programs can help generate the political will and revenue necessary to support everyone, especially those who are most vulnerable to the disproportionate impacts of the Trump agenda and the uncertain economic and social environment created by his policies.

However, unlike the federal government, which can engage in deficit financing, New York City and State cannot build universal programs overnight. That will require passage of new tax measures needed to cover the programs' costs. The City and State also must develop multi-year plans to phase in universal programs that are equitable and comprehensive, while, in the process, incorporating existing anti-poverty programs tied to precarious federal funding that requires means testing for eligibility.

Pursuing policy change without this approach risks undermining those existing social programs, creating class-based eligibility tiers, with low-income households receiving support through one set of programs while others benefit from another set.

The goal of this report is to ground New Yorkers' collective hope for change in 2026 in the economic and fiscal policy conditions we inherit from 2025. Policymakers will need to make strategic choices and plan for the long-term. Policy interventions have the potential to make immediate change and produce multiplier economic effects, increasing future tax revenue to fund universal public programs that can truly achieve long-term, broad-based affordability.

This report is organized in four main sections. First, we describe the state of the New York City economy at the end of 2025 and how that informs our expectations for the city's economy in 2026. Second, we highlight how OBBBA changes will impact economic inequality and poverty in New York City, starting in 2026. This is key for policymakers, because cuts in critical safety net programs will put significant strain on the City and State budgets. Third, we evaluate the capacity of the City and State to address these and other policy priorities in the budget processes starting in January 2026. Lastly, taking cognizance of these realities and of the need for bold, transformative policies to mitigate inequality, we provide some recommendations for City and State policymakers.

Many terms and concepts in this report may not be familiar to everyone. Please see Section 6: Glossary for further explanation of terms noted throughout this report.

2. ECONOMIC GROWTH AND STABILITY

In 2025, the economy in New York City and across the country has been overwhelmingly defined by President Trump's aggressive and volatile actions. Nationwide, immigration raids have placed vulnerable households under acute financial, emotional, and legal stress while reducing labor supply in specific industries and regions. High and broad-based tariffs on imported goods, including those from traditional U.S. allies and trading partners, mark a sharp turn in U.S. trade policy. Businesses, facing these unpredictable conditions, have scaled back imports. Surveys indicate that firms are more inclined to pass tariff-induced costs onto consumers rather than absorb them, adding pressure to an already elevated inflation environment.[10] This further intensifies affordability challenges in already high-cost areas like New York City. Looking forward to 2026, there is no sign that the Trump administration plans to change course; therefore, these conditions are likely to continue shaping the city's economy.

Escalating political attacks on federal statistical agencies have also undermined our ability to evaluate the economy. On August 1, 2025, President Trump fired Dr. Erika McEntarfer, the commissioner of the Bureau of Labor Statistics, hours after the July jobs report revealed weaker-than-expected job growth. Two months later, a prolonged government shutdown also halted release of data on jobs, economic output, and inflation. As of this writing, therefore, most data that is typically updated monthly at the city level has only been released through September 2025, and other data releases have been delayed. The tools we use to measure economic growth, stability, and well-being, therefore, provide a less timely picture than ever before.

In this section, we dig into job and economic growth in the city in 2025 and describe which New Yorkers are winning, and losing, as a result. This informs our expectations for the city's economy over the next year.

A. Job Growth in the City and by Industry

One way to measure economic growth is the number of jobs added to the economy. From this perspective, New York City's economy slowed down in 2025. Measured by private sector payroll jobs, New York City's economy grew 0.7 percent from January to September 2025. The city's private sector job growth was stronger in 2024, growing 1.6 percent during the same January-September period.[11]

New York City's slowdown in private payroll job growth is similar to national trends. The U.S. economy as a whole experienced a mere 0.4 percent growth in private payroll jobs from January

10. Jaison R. Abel, Richard Deitz, Sebastian Heise, Ben Hyman, and Nick Montalbano, Are Businesses Absorbing the Tariffs or Passing Them on to Their Customers?, Federal Reserve Bank of New York, June 4, 2025.
11. New York City Office of Management and Budget, NYC Employment Data (Seasonally Adjusted), September 2025, December 11, 2025.

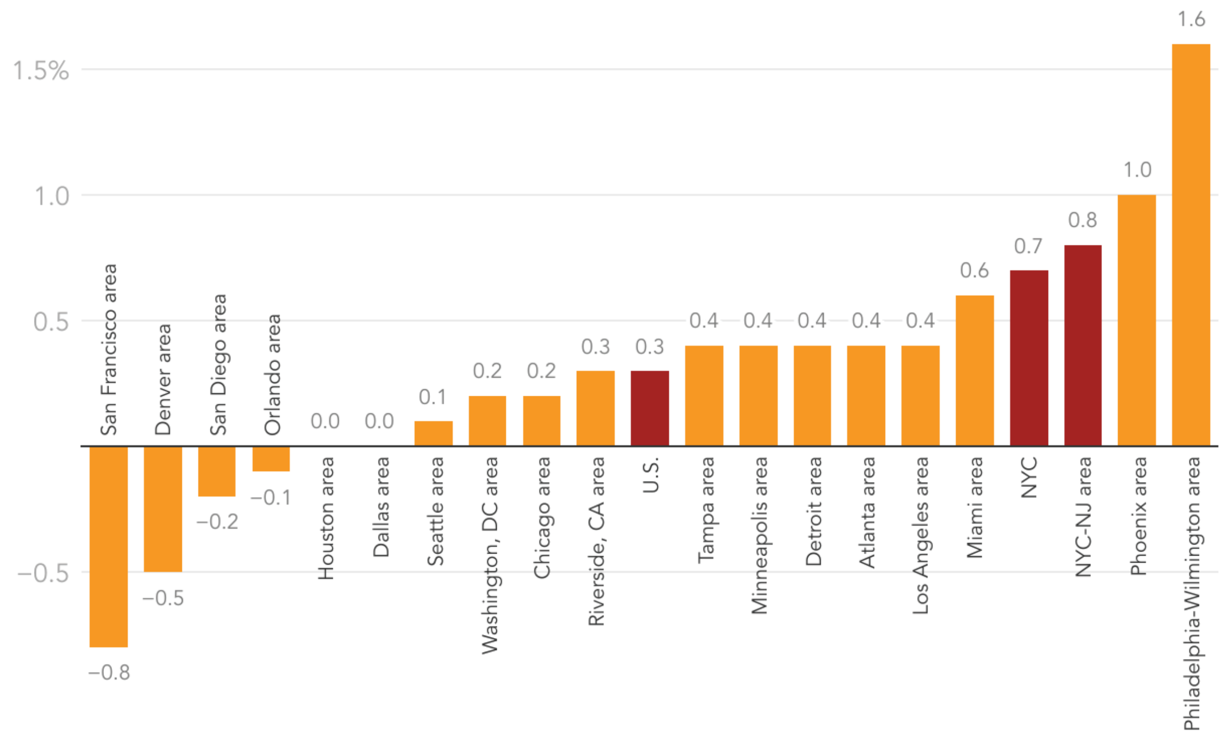
to September 2025, compared to 0.7 percent growth for the same time period in 2024.[12] Approximately half the 20 largest metropolitan statistical areas (MSAs) around the country experienced slower private payroll job growth from January to August 2025, compared to the same period in 2024; some saw private sector job declines.[13]

Private payroll job growth in New York City and the NY-NJ MSA still fared better than in many of the largest 20 MSAs. (See Figure 1.) Each MSA is unique in terms of its dominant industries, demographic diversity, political landscape, and how these characteristics affect the ebbs and flows of the economy. However, it appears that businesses across the country are responding to the Trump administration's stress tests on the economy—from threats of higher tariffs or attacks on immigrant communities—and the uncertainty and weak demand they generate by making little change to the number of people they employ.

Figure 1

Private sector job growth by metropolitan area

Percent change in private payroll jobs, January to August 2025



Source: CNYCA analysis of U.S. Bureau of Labor Statistics, All Employees, Total Private [USPRIV, Top 20 MSAs], retrieved from FRED, Federal Reserve Bank of St. Louis, 2025

12. U.S. Bureau of Labor Statistics, All Employees, Total Private (USPRIV), Federal Reserve Bank of St. Louis, 2025.
13. U.S. Bureau of Labor Statistics, All Employees, Total Private: Top 20 Metropolitan Statistical Areas, Federal Reserve Bank of St. Louis, 2025.

Government jobs have long been an integral part of the U.S. economy, providing key services and (relatively) good-paying jobs in good times and bad. The Trump administration took extreme measures to downsize government jobs across the country throughout 2025, starting with the Department of Government Efficiency (DOGE) and continuing during the October-November government shutdown. The impacts have been most apparent in communities where federal government jobs comprise a large share of local jobs.[14] Given the comparatively high proportion across the nation of Black workers in the public sector, they have also keenly felt the negative consequences of these actions.[15] Furthermore, this reduction in public sector jobs contributes to weaker aggregate demand throughout the economy.

New York City's public sector employment is significant. Approximately 600,000 payroll jobs in the city are at government agencies, which is 12.5 percent of all payroll jobs in the city.[16] However, only eight percent of these workers are employed directly by the federal government. The vast majority (83 percent) are employed by the City. As a result, New York City did not experience a decline in government jobs as of September 2025. However, as federal funding cuts become more salient, City and State government jobs in New York City may be at risk.

New York City job stability and growth is vulnerable in other ways as well. One in five jobs in the New York City economy is in the health care and social assistance sector. From January to September 2025, the city netted 25,684 additional nonfarm payroll jobs. However, most sectors of the economy—with the exception of health care and social assistance, government, and warehousing—experienced zero or negative job growth in 2025. New York City would have experienced overall job decline in 2025 if the economy hadn't added 51,564 health care or social assistance jobs and more than 11,000 government jobs by September. (Figure 2 illustrates job gains and losses by specific average wage in each industry since the pandemic.)

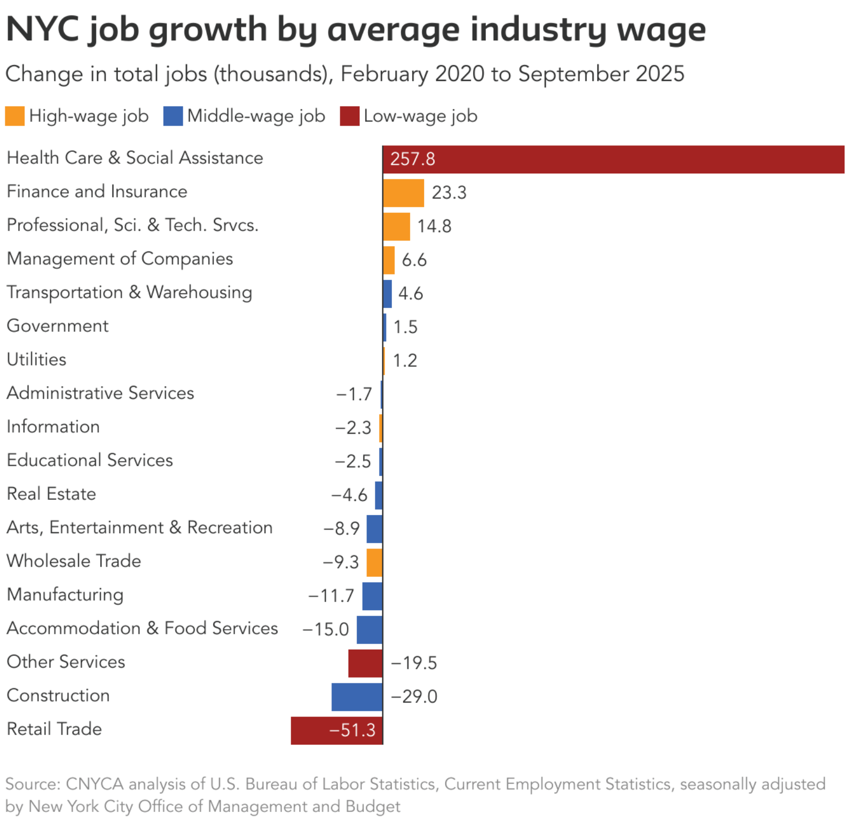


Figure 2

The rise in health care and social assistance sector employment is related to increased access to health insurance, through, for example, the Affordable Care Act (ACA), which has boosted demand for these services. The passage of

14. Jonathan Schwabish, Implications of a Shrinking Federal Workforce under DOGE's Recommended 75 Percent Reduction, Urban Institute, January 30, 2025.
15. Valerie Wilson, Adewale A. Maye, and Stevie Marvin, A Tale of 10 Cities: Metro Areas Signal What's at Stake for Black Americans under Trump's Anti-Equity Agenda, Economic Policy Institute, August 14, 2025.
16. New York State Department of Labor, New York City Labor Force Data, December 9, 2025.

OBBBA put such jobs at risk. In 2026, OBBBA is expected to eliminate coverage for nearly 134,114 New York City immigrants. In 2027, 725,702 New York City Medicaid receipts are also at risk of losing coverage. (See Section 3 for more details about the impact of OBBBA on city residents.)

The OBBBA's phasing out of federal tax credits for zero-emission vehicles and solar panel installations will also impact local investment and spending that may directly affect green jobs (and put upward pressure on electricity prices). The capital costs of solar installation will likely grow, reducing consumer and business spending for them.

B. Economic Growth and Recession Prospects

Another way to measure economic growth is the value of goods and services produced. From a national perspective, U.S. real gross domestic product (GDP) growth in 2025 has been volatile: output fell at a 0.6 percent annualized rate in the first quarter before rebounding to 3.8 percent in the second. (Given the lack of data, it's uncertain how U.S. GDP growth in 2025 will compare to the steady, average real GDP growth of 2.9 percent and 2.8 percent in 2023 and 2024, respectively.)[17]

New York State's economy has been less volatile by comparison, showing modest real GDP growth of 0.5 percent in the first quarter of 2025 and 1.0 percent in the second.[18] However, that's much softer than the state's 2.6 percent annual real GDP growth in 2024. (The most recent data available on New York City's GDP is from 2023, when it experienced 1.7 percent real GDP growth. That was higher than the state and lower than the U.S. rates in the same year.)

Many economists anticipated the U.S. would face a recession in 2025, because of the Trump administration's drastic cuts to government programs and jobs as well as erratic, punitive tariff declarations. (See Glossary.) Earlier this year, CNYCA estimated that for each 1.0 percent decline in U.S trade integration (the sum of exports and imports as a share of GDP), New York City would lose 27,061 jobs and see a 0.10 percentage point decrease in its GDP.[19] While such an economic downturn has yet to take place, an October 2025 analysis from economist Mark Zandi shows that over half of U.S states are either at risk of recessions or "treading water," meaning they are already experiencing a significant economic contraction.[20]

New York is one of those states. There are many signs of its economic contraction. Weak demand, evidenced by consumer and investment activities, is one of them. From December 2024 to September 2025, consumer sentiment dropped by 8.4 points in New York City, despite the strong resilience of personal consumption expenditure nationwide and in the city.[21] However, this resilience has been mostly driven by top-income earners. In the second quarter of 2025, the top 10 percent

17. CNYCA analysis of U.S. Bureau of Economic Analysis, Table 1.1.5. Gross Domestic Product, November, 2025.
18. U.S. Bureau of Labor Statistics and U.S. Bureau of Economic Analysis, Quarterly Gross Domestic Product Database, November 2025.
19. Mohamed Obaidy, A U.S. Trade War Is Likely to Harm New York City's Recovering Economy, Center for New York City Affairs, May 22, 2025.
20. Mark Zandi, "23 States in Recession Reveal Fragility of the U.S. Economy," LinkedIn, October 22, 2025.
21. Siena Research Institute, New York Index of Consumer Sentiment: Summary of Trends, October 2025.

of earners represented 50 percent of total consumption expenditure in the U.S.[22] Similarly, services activity – which constitutes most of New York City's economic activity - significantly contracted in the city. The Federal Reserve Bank of New York's November 2025 Services Index dropped to its lowest level since January 2021 (excluding October 2025).[23]

On the other hand, 2025 was another strong year for the tech sector and for Wall Street. New York City continues to be a leading place for tech sector job creation.[24] Venture capital (VC) activity here remained exceptionally strong in 2025.[25] The New York City metropolitan area (NYC-NJ MSA) also recorded the second-largest total in VC investment in the nation in 2024. In the financial sector, equity valuations have been heavily influenced by AI-driven optimism and major technology firms' spending on data centers and AI infrastructure. Although AI presents opportunities, it also raises fundamental questions about future labor market impacts and introduces risks of boom-bust dynamics.[26]As a leading location for tech jobs and the finance sector, New York City is particularly exposed to both the upside and downside of AI-related investment cycles.

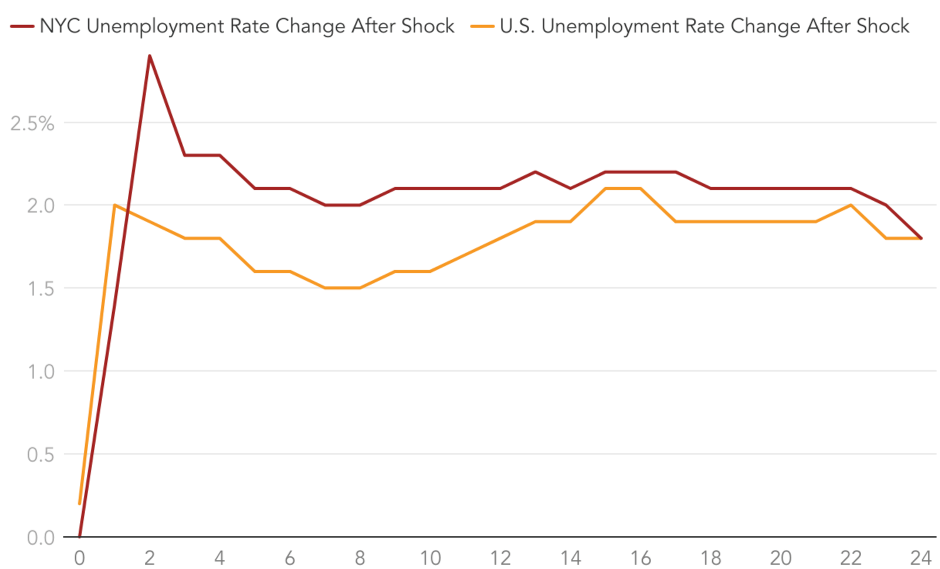
Within this context, the Federal Reserve has remained uncertain about the direction of monetary policy. However, the decision to cut the federal funds rate target range by a quarter percentage point in December shows that it worries more about slowing job growth and economic activity overall than about possible inflationary effects. Such a cut will probably not be enough to reduce the cost of borrowing for most businesses and households in the near term to boost the economy.

What Would a Recession Mean for New York City?

Given an increased risk of an economic downturn, CNYCA analyzed the impact of national recessions since 1976 on the New York City labor market, to

Figure 3

NYC's unemployment rate historically remains elevated for two years after U.S. recessions



Source: CNYCA analysis of seasonally adjusted monthly unemployment rate and recession events based on the Federal Reserve Economic Data (FRED) database, National Bureau of Economic Research (NBER) database, and New York State Department of Labor Current Population Survey (CPS) and Local Area Unemployment Statistics (LAUS) data

22. Jonnelle Marte, "Top 10% of Earners Drive a Growing Share of U.S. Consumer Spending," Bloomberg News, September 16, 2025.
23. Federal Reserve Bank of New York, Business Leaders Survey: Overview, December 2025.
24. Jonathan Bowles, Eli Dvorkin, and Rachel Neches, Sustaining NYC's Tech Edge, Center for an Urban Future and Tech: NYC, May 2025.
25. This indicator is a proxy for capital inflow in New York City. It shows the level of confidence investors have in the city's economy.; Office of the New York State Comptroller, Venture Capital Investment in New York City, October 2025.
26. Konrad Putzier, "How the U.S. Economy Became Hooked on AI Spending," The Wall Street Journal, November 24, 2025.

provide insight on what another recession might mean here. We found that when the United States enters a recession, New York City's labor market deteriorates rapidly and far more persistently than the nation's, with a persistent dampening effect. (See Figure 3.) Within just two to three months of a national downturn, the city's unemployment rate typically rises by about 2.5 to 3.0 percentage points, compared to 0.2 to 1.9 percentage points nationally. (See Glossary.) Figure 3 illustrates how this elevated level often persists for nearly two years.

New York City's labor force participation rate (LFPR) also declines quickly—falling by roughly 1.0 to 1.5 percentage points within the first three months of a recession. (See Glossary.) This is greater than the national drop of 0.1 to 0.7 percentage points. The effect gradually moderates over the subsequent year but remains slightly below pre-recession levels even after two years.

Recessions also disproportionately impact workers of color. Numerous studies have found that employment rates for Black people fall more than for white people during recessions.[27] (And in periods of strong economic growth, employment rates for Black people rise faster than they do for white people.)[28] Given the racial diversity of the city's labor force, these lessons from history provide additional evidence that New York City must have policy tools ready to mitigate the severity and longevity of a recession. Early and proactive measures, such as a robust and expanded unemployment insurance program, provide essential buffers for households and stabilize the economy when recession risks emerge.

C. Labor Market Dynamics

In September 2025, the city's seasonally adjusted unemployment rate was 5.1 percent, a 0.2 percentage decline from the 5.3 percent average unemployment rate in 2024. The city's LFPR held steady at 61.7 percent this year, close to the city's historic peak labor force participation rate of 61.9 percent in November 2024. These positive trends are counter to what might be expected in an economy marked by lower job and economic growth in 2025.

However, the declining unemployment rate in a slow growth economy may also reflect declining labor force participation rates of groups that have faced considerable obstacles in the post-pandemic New York City economy. In 2025, labor market data disaggregated by race and gender shows deepening signs of labor market disparities, particularly for workers of color.

The Black-white prime age (25-54) unemployment rate gap is a key metric of labor market inequality. The NYC-NJ MSA has the largest Black-white unemployment rate gap of any MSA in the country. Black unemployment is rising across the country, including in many of the largest MSAs, but the NYC-NJ area saw the most extreme increase in Black unemployment over the past year (up 2.7

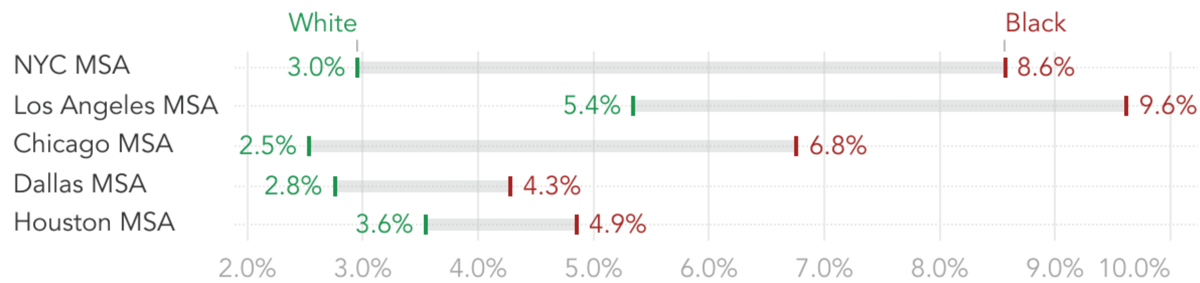
27. Arthur M. Okun, Upward Mobility in a High-Pressure Economy, Brookings Papers on Economic Activity 4, no. 1 (1973): 207–262; Stephanie Aaronson et al., Who Benefits Most from a Strong Economy?, Brookings Institution, March 2019.
28. Nittai Bergman et al., Heterogeneous Labor Market Effects of Monetary Policy, Social Science Research Network, 2021.

points since Q4 2024).[29] This suggests that labor market inequality is a local problem that requires local policy action. (See Figure 4.)

Figure 4

NYC metro area Black-white unemployment rate gap is the highest of major U.S. metro areas

Q3 2025 prime age (25-54) unemployment rate, 4-quarter moving average



Source: CNYCA analysis of Bureau of Labor Statistics, Current Population Survey

Table 1 lists labor market outcomes disaggregated by race, gender, immigration status, education, and age, comparing the pre-pandemic first quarter of 2020 to the third quarters of 2024 and 2025.[30] These three snapshots in time provide important points of comparison. The city's economy before the pandemic was at the apex of its longest period of economic growth in decades. By many indicators, our economy – while still afflicted by rampant inequality – was the strongest it had ever been. That makes it an important point of comparison for today's labor market. The dramatic shifts in U.S. policy that have impacted the economy also make it important to examine change over the past year.

As of the third quarter of 2025, white men and – especially – white women were doing well compared to the third quarter of 2024 and to before the pandemic. The stability of white workers in the face of a sluggish and uncertain economy is distinct from the experiences of workers of color.

Women of color also experienced post-pandemic increases in their employment rates, but with more volatility. After an overall increase since 2020, Black women's employment rate dropped over the past year while their unemployment rate increased 1.3 points. Meanwhile, Hispanic women did not experience such a boost from 2020 to 2024, but increased their employment rate by 4.4 percentage points this past year alone. (See Glossary.)

29. Valerie Wilson, What's Behind Rising Unemployment for Black Workers?, Economic Policy Institute, September 19, 2025.

30. The racial, ethnic, gender, and other demographic categories used in this analysis are limited in two ways. First, we are limited to the categories the Bureau of Labor Statistics includes on the survey people complete, which is used to generate this data. Second, estimating labor market indicators for a population requires having a large enough sample of that population in the data. We, therefore, are often required to group certain racial and ethnic groups together in order to produce statistically grounded estimates.

Men of color, on the other hand, have all experienced a decline in their employment rate comparing 2020 to today. Negative outcomes for Black and Asian men were apparent in 2024 and held steady over the past year, as few new jobs entered the city's economy. Hispanic men experienced a sharp 1.6 percentage point decrease in their employment rate over the past year.

A number of factors potentially drive these race and gender differences. The concentration of job growth in traditionally female-dominated industries like health care may explain some of the employment growth for women broadly. Declining unemployment among Black and Hispanic men may reflect men dropping out of a persistently slow job market in male-dominated fields that tend to employ men of color, such as construction.

It is important to note that the employment rate of people holding a bachelor's degree also dropped 3.6 percentage points over the past year. This suggests that, in the face of economic and federal funding uncertainty over the past year, firms may be operating under a "last hired, first fired" approach. This approach has historically disproportionately impacted Black workers.

The dramatic shifts for Hispanic men and women reflect the economic impact of the Trump administration's deportation efforts, which have disproportionately targeted Hispanic men. Declining employment rates for Hispanic men coincide with an even larger decline in their labor force participation rate, comparing 2024 to 2025. Additionally, the unemployment rate for non-citizens, which was already high in 2024, dropped significantly over the past year. However, this decline is misleading, as non-citizens also dropped out of the labor force significantly since 2024, potentially reflecting a range of issues from difficulties obtaining visas to the chilling effect of Trump's deliberately cruel deportation policies.

Table 1

NYC Labor Market Outcomes

All statistics presented in percentages (%), using a 4-quarter moving average

	Labor force participation rate			Employment rate			Unemployment rate		
	Q1 2020	Q3 2024	Q3 2025	Q1 2020	Q3 2024	Q3 2025	Q1 2020	Q3 2024	Q3 2025
All New Yorkers	***60.1***	***61.6***	***61.8***	***57.8***	***58.5***	***58.7***	***3.8***	***5.2***	***5.0***
Race									
White	63.7	67.5	67.6	62.2	65.3	66.7	2.4	3.2	2.9
Black	56.1	58.2	57.1	52.1	53.2	52.1	7.1	8.5	8.8
Hispanic	58.8	59.1	59.8	56.1	55.1	56.5	4.6	6.8	5.5
Asian & Other	59.5	59.0	59.8	58.4	57.0	57.2	1.8	3.3	4.4
Gender									
Male	67.8	67.2	66.7	65.3	63.5	63.3	3.8	5.6	5.1
Female	53.3	56.6	57.3	51.3	53.9	54.5	3.7	4.8	4.9
Immigration Status									
Native Born	60.7	62.7	62.6	58.1	59.0	58.9	4.4	5.8	5.8
Naturalized Citizen	56.4	57.6	59.9	54.8	55.9	57.7	2.8	2.9	3.7
Non-Citizen	63.3	64.6	62.0	61.4	60.4	59.3	3.0	6.5	4.2
Education Level									
Less than High School	34.1	32.9	32.2	31.4	30.1	30.4	7.8	8.3	5.7
High School diploma	53.4	54.4	55.3	50.7	50.1	51.5	5.0	7.8	6.8
Some College	57.5	57.0	57.5	54.7	53.9	54.2	4.7	5.5	5.7
Bachelor's degree	75.5	80.2	77.3	74.0	77.4	73.8	2.0	3.4	4.5
Postgrad	75.5	77.6	78.1	73.7	74.7	75.7	2.4	3.7	3.0
Age									
18-24	51.6	51.4	52.1	47.5	44.5	46.1	7.9	13.5	11.4
25-54	79.4	82.7	82.6	76.7	79.1	78.7	3.4	4.3	4.7
55-64	62.8	65.6	65.1	60.9	63.2	64.1	3.1	3.7	3.0
65+	19.4	19.9	19.9	18.9	18.8	20.6	2.9	4.5	3.8
Race and Gender									
White Male	71.0	72.1	71.9	69.2	69.3	69.7	2.5	3.8	3.0
Black Male	61.0	60.3	60.2	56.2	54.2	54.4	7.7	10.3	9.4
Hispanic Male	68.0	67.9	65.1	65.0	63.4	61.8	4.4	6.6	5.1
Asian & Other Male	68.7	64.8	66.8	67.4	62.7	63.4	NA	5.1	5.4
White Female	56.9	62.9	63.4	55.6	61.4	61.7	2.2	2.5	2.7
Black Female	52.3	56.5	54.9	48.9	52.5	50.3	6.5	7.1	8.4
Hispanic Female	50.8	51.2	55.3	48.3	47.6	52.0	5.0	7.1	6.0
Asian & Other Female	51.4	53.7	53.3	50.5	51.9	51.4	NA	NA	NA

*The Labor Force Share is for Q3 2024 (not using a 4-quarter moving average)

Source: CNYCA analysis of Bureau of Labor Statistics, Current Population Survey

3. POVERTY AND INEQUALITY EXACERBATED BY OBBBA

In this section, we highlight how OBBBA changes will impact already widespread poverty and economic inequality in New York City. This is key for policymakers in 2026 and beyond, because people living in poverty need robust safety net programs. However, OBBBA will destabilize those programs, disproportionately impacting the poorest New Yorkers, and put significant strain on the City and State budgets.

A. Poverty

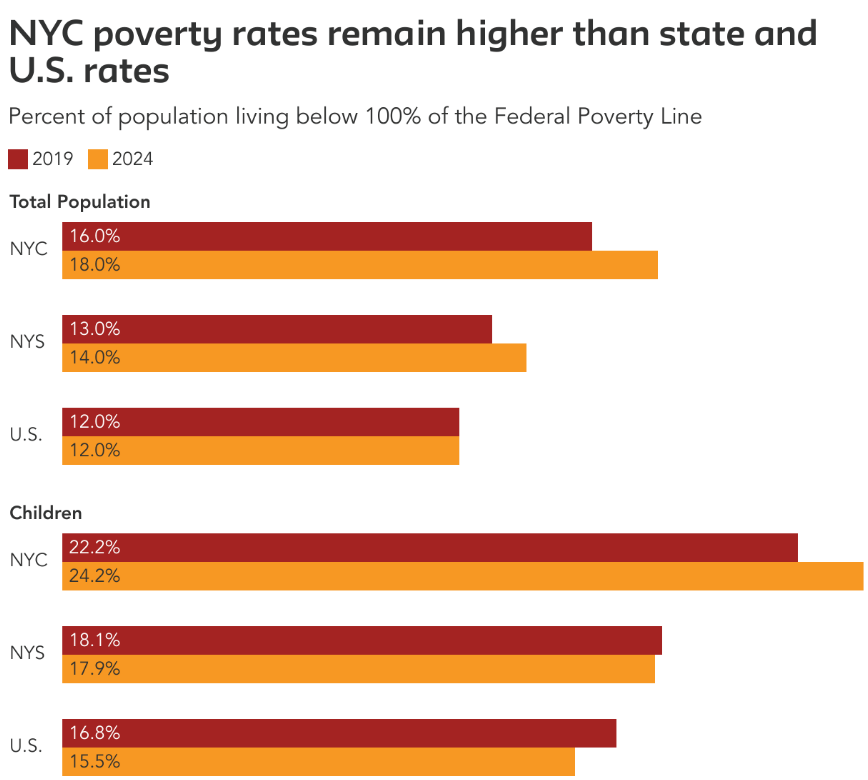
1. New York City Poverty Rates and Public Assistance Need Remain Elevated

While the vast majority of New York City households are feeling squeezed in a local economy with a high cost of living, stagnant wages, and persistently high inflation, New York City's high rate of poverty is its biggest economic and fiscal policy challenge, particularly given that OBBBA poses a disproportionate threat to people living in poverty.

The poverty rate, or percentage of families living below the federal poverty level (FPL), rose in New York City from 16 percent to 18 percent between 2019 and 2024. (See Glossary.) One-quarter of children living in New York City live in poverty. (See Figure 5.) This is distinctly different from the national poverty rate (which remained flat) and the child poverty rate (which declined) during the same period. The City's poverty rate is also more pronounced than that of the NYC-NJ MSA, which was 12.5 percent in 2024. Among the 20 largest MSAs, the NYC-NJ MSA ranks fourth both in terms of poverty rate and rate increases since 2019.

The FPL is critical for understanding acute economic hardship. Eligibility

Figure 5



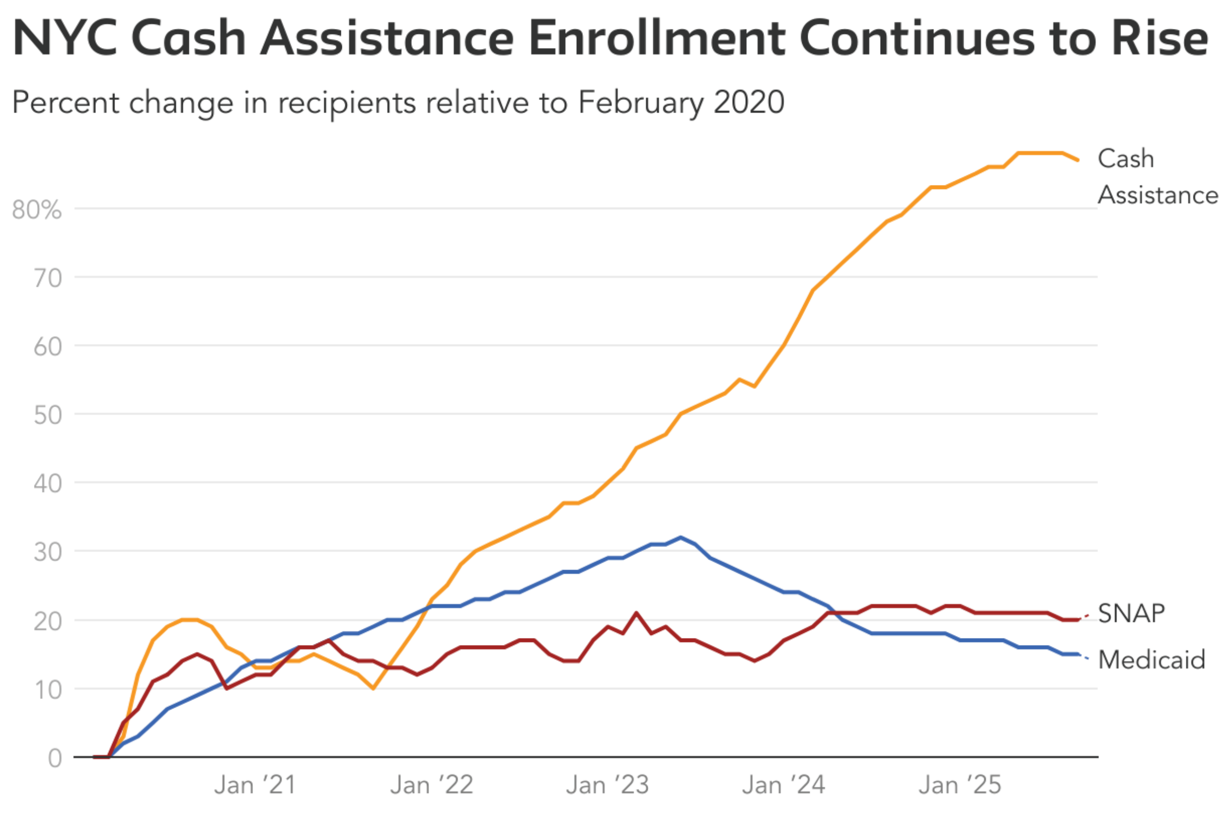
Source: CNYCA analysis of American Community Survey, 2019 and 2024, 1-year microdata, U.S. Census Bureau for most safety net programs – like cash assistance and Supplemental Nutrition Assistance Program (SNAP) benefits – are tied to it. However, because it does not take into consideration cost of living differences throughout the country, it also severely underestimates the number of struggling New York City households.

Figure 6 illustrates enrollment in three major public assistance programs: Medicaid, SNAP, and cash assistance. (See Glossary.) Each has higher enrollment today than before the pandemic. A continued high need for public assistance is one of the reasons the City and State have significant differences in revenue outlooks and spending in recent and upcoming years.

Skyrocketing cash assistance enrollment since the pandemic can be attributed to two things. First, higher rates of poverty and persistent unemployment have led to more need. Second, the City paused work requirements related to the program at the onset of the pandemic and has yet to reinstate them. It is likely cash assistance enrollment will decline in 2026, not because of decreased need, but because of the challenges recipients will face with new requirements.

The new OBBBA work requirements for Medicaid and SNAP recipients are also expected to result in declining enrollment, not because of decreased need, but because of new administrative barriers. Efforts by the City and State to address the acute needs of these New Yorkers as they lose benefits, largely paid for with federal funding, will strain budgets already stressed by the overwhelming rise in need for these programs.

Figure 6



Source: CNYCA analysis of NYS Office of Temporary & Disability Assistance; NYS Department of Health data

2. New York City Residents Face Significant Support Cuts Due to OBBBA

OBBBA's changes to health insurance and SNAP will disproportionately impact low-income and immigrant families. One-third of the city's population, or 2.9 million residents, live below 200 percent of the FPL.[31] An estimated 35 percent of city residents below the poverty level were born outside the U.S. This makes New York City one of the most exposed places in the U.S. to OBBBA changes to health insurance and SNAP.

The OBBBA includes major changes to Medicaid financing, ACA subsidies, and SNAP that will be rolled out over several years, starting in 2026. This will result in up to 1.1 million of New York City residents directly at risk of losing health insurance coverage and food assistance in the next two years. The timeline of these major changes include:

January 2026: Federal funding for the Essential Plan (EP), a New York State health insurance program for low-to-moderate income residents who don't quality for Medicaid, is cut for documented non-citizens (i.e., permanent residents, visa holders with work authorization, and those with special refugee status). An estimated 134,114 low-income New York City documented non-citizens will be at immediate risk of losing coverage.[32] (See Glossary.) An additional 303,123 documented non-citizens in New York City will also lose EP coverage, but they will be moved over to State Medicaid as required by the State Constitution.

March 2026: 80-hour monthly work requirements for SNAP recipients go into effect, impacting all Able-Bodied Adults Without Dependents (ABAWD), recipients who are 18 to 64 years of age with no dependents under the age of 14.[33] About 230,000 New York City residents are at immediate risk of losing food assistance access unless they meet the new work requirements.[34]

October 2026: SNAP cost-shifting goes into effect. Federal spending cuts for the program put a higher cost burden on states and cities to administer SNAP, which reduces New York's administrative support to more than 1.8 million New York City residents who rely on SNAP. This could indirectly reduce or delay benefit issuance.

January 2027: 80-hour monthly work requirements for Medicaid go into effect, impacting individuals in the Affordable Care Act (ACA) Medicaid expansion group with incomes up to 138 percent of the FPL who have no dependents. Additional requirements and restrictions, such as bi-annual eligibility determination and limited retroactive coverage, are also expected to go into effect in January 2027 and impact Medicaid enrollees in the non-ACA group.[35] These measures will expose 725,702 New York City Medicaid recipients to immediate risk of losing health insurance coverage. Biannual eligibility redeterminations, retroactive coverage limits, and new documentation and verification rules will indirectly affect the city's 2.9 million residents with household incomes below 200 percent of the FPL.

31. CNYCA analysis of U.S. Census Bureau, American Community Survey.
32. These estimates are based on CNYCA calculations. About 70 percent of New York State immigrants live in New York City. We use this share to estimate the immigrant population impacted by OBBBA.
33. New York State Office of Temporary and Disability Assistance, SNAP Work Requirements, https://otda.ny.gov/programs/snap/work-requirements.asp
34. Office of the New York City Comptroller, New York by the Numbers: Monthly Economic and Fiscal Outlook. November 13, 2025.
35. Jillian K. Bronner, An Analysis of the One Big Beautiful Bill Act (OBBBA)'s Impact on Healthcare for New York, Rockefeller Institute of Government, July 10, 2025

2028 to 2032: New Medicaid rules go into effect, including restrictions on noncitizen coverage, new premiums and cost-sharing, Long-Term Care (LTC) and home equity limits, and tightened marketplace verification rules. These will strain Medicaid financing, destabilize social safety net hospitals, and increase the prevalence of uncompensated care. Out-of-pocket costs will rise for households who rely on Medicaid, leading to higher medical debt and reduced access to essential medical services. These pressures will deepen the intensity of poverty while straining the home health care and social assistance industry.

Table 2 summarizes when and how New York City residents, by benefit type, are impacted by these changes.

Table 2

Estimated NYC impact of OBBBA cuts to health insurance and SNAP benefits

Initial Impact Date	Benefit Type	Recipients Directly at Risk	Recipients Indirectly at Risk	Reasons for Risk ▲
January 2026	Essential Plan (EP)	134,114	1.1 million	Elimination of federal Basic Health Program funding leading to direct benefit loss for documented non-citizens. Time and transition cost to those who move from EP to State Medicaid.
March 2026	SNAP	230,000	1.8 million	Work requirements for able-bodied adults without dependents leading to direct benefit loss for non-exempt individuals. Federal cost-shifting increasing State and City administrative and cost burden leading to higher churn, delayed certification, and benefit interruptions for all enrollees.
January 2027	Medicaid	725,702	3.9 million	Work requirements for directly at risk adults leading to benefit loss for non-exempt individuals. Tighter redeterminations, limits on retroactive coverage, cost-sharing and new premiums increase risk of access disruption for all enrollees.

Estimates for NYC aggregate estimates for U.S. Congressional Districts 5 to 15, making this a conservative estimate.

Source: CNYCA analysis of Governor Kathy Hochul, "Governor Hochul and House Democratic Leader Hakeem Jeffries Warn of Detrimental Impacts of President Trump's One Big Ugly Bill," June 1, 2025.

B. Inequality

New York City has the highest income inequality of any major U.S. city. New York City's high and rising Gini coefficient indicates an increasingly polarized income structure, where the gains of economic growth are concentrated among a relatively small share of residents. (See Glossary.) This growing inequality is driven by strong wage growth among the top three percent of wage earners, compared to the rest of workers.

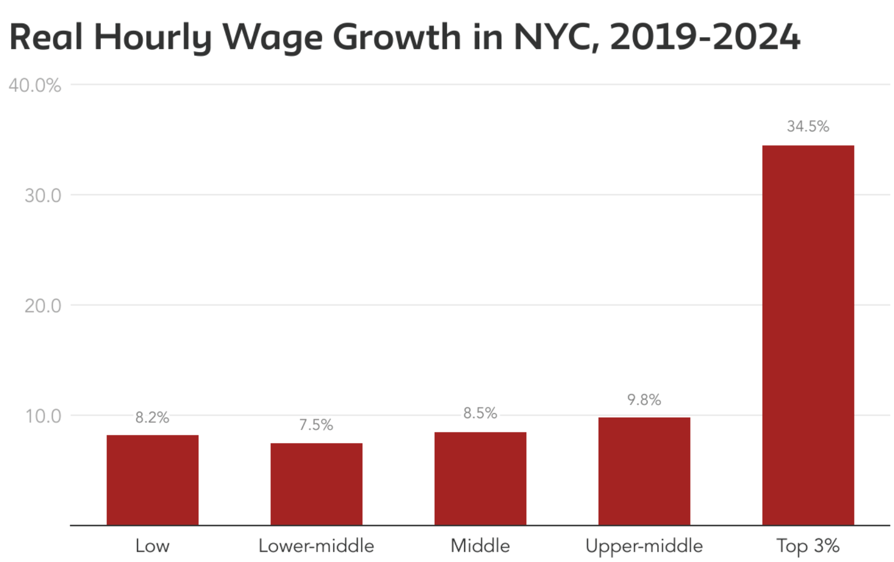
These labor market dynamics contributed to real median household income in New York City declining 4.9 percent from 2019 to 2024.[36] This is opposite the national trend, where real median household income increased 0.9 percent during the same period. None of the nation's other 10 largest cities experienced a statistically significant decline in inflation-adjusted median household income during this period. The combination of declining real median income, increasing wages at the top of the income distribution, and high cost-of-living pressures has resulted in growing precarity among low- and middle-income households. Inequality will further be exacerbated by OBBBA personal income tax (PIT) changes that disproportionately benefit high-income earners at the expense of low-income households.

1. Unequal Wage Growth Deepens Inequality in New York City

In both New York City and nationally, wage growth for low-wage workers slowed between 2023 and 2024, and real income gains for most Americans have stalled as inflation and high interest rates erode purchasing power.[37] Younger workers, renters, and households with insufficient savings or other income resources have been particularly affected.

Nationally, this reverses the post-pandemic trend that saw low-wage workers experience stronger relative pay gains, due to a combination of a fast recovery from the Covid shock and local minimum wage increases in many states and municipalities. In New York City, however, wage inequality has been increasing steadily since the pandemic, due to a comparatively slower recovery and a stagnant minimum wage.

Figure 7



The top 3% represents the average of the top three percentiles of the wage distribution. Low wages represent the average of the 1st-20th percentile, lower-middle the average of 21st-40th percentile, middle the average 41st-60th percentile, and upper-middle the average 61st-80th percentile. Wages are adjusted for inflation using the 2024 Consumer Price Index for Wage Earners and Clerical Workers for the New York, New Jersey and Pennsylvania area.

Source: CNYCA analysis of Current Population Survey Outgoing Rotating Groups data.

36. CNYCA analysis of U.S. Census Bureau, American Community Survey.
37. Chris Wheat and George Eckerd, Real Income Growth Shifts Down, Especially for the Young, JPMorgan Chase Institute, October 29, 2025.

While wage gains slowed across most of the income distribution in both New York City and the United States between 2023 and 2024, the top three percent of wage earners in the city were a sharp exception. This group consists of workers earning $312,000 or more in 2024 before taxes. They are heavily concentrated in finance, tech, information, scientific research, and other high-wage services.[38] (See Figure 7.)

2. OBBBA Income Tax Changes Exacerbate Inequality in New York City

The OBBBA includes many changes to personal income taxes (PIT) that will have disparate impacts on households at different income levels starting in 2026. Among them, it makes permanent many individual and business Tax Cut and Jobs Act (TCJA) measures enacted in the first Trump administration, which would otherwise have expired at the end of 2025. In this section we describe some of the more notable tax changes that will exacerbate income inequality.

The OBBBA federal PIT changes will benefit some State and City taxpayers by reducing their federal taxable income (thereby increasing their after-tax income). Table 3 lists the changes in after-tax income for various income levels. Additional income tax changes and health insurance and SNAP cuts result in overall PIT changes that harm low-income households and benefit high-income households. The changes will not affect their taxable income for City and State PIT, so they will not change local PIT revenue.

Table 3

Distributional Effects of OBBBA on Households

Income Decile	Average Household Income	Change in After-tax Income
1st (bottom)	$38,840	−$1,200
5th	$105,480	$800
6th	$122,120	$1,200
10th (top)	$517,700	$13,600

Low-income households, like those in the 1st decline, are projected to experience reductions in Medicaid and SNAP due to OBBBA. Estimates for 1st decile households are negative because the loss of Medicaid and SNAP will more than offset the tax reductions these households will receive.

Source: CNYCA analysis of Congressional Budget Office, Distributional Effects of Public Law 119-21, August 11, 2025.

OBBBA includes numerous changes affecting the federal PIT. (Because its rates and brackets provisions maintain the 2025 TCJA status quo, there is likely to be little resulting effect on New York City or State household tax burdens.)[39] Table 4 lists some of the OBBBA changes, many of which are temporary, and who they impact.

38. Mohamed Obaidy, While the Top 3 Percent of Wage Earners Get Richer, New York City's Low-Wage Workers Risk Greater Poverty, Center for New York City Affairs, February 26, 2025.
39. Because the brackets are indexed for inflation to prevent "bracket creep," the OBBBA brackets will change slightly each year, just as they had from 2018 to 2025.

Table 4

OBBBA Income Tax Changes

Tax Code Area	Change	Impacts
Auto Loan Deduction	Temporarily allows for some filers to deduct up to $10,000 in auto loan interest expenses for U.S. assembled vehicles. Expires at the end of 2028.	Benefits single filers with incomes below $100,000.
Child Tax Credit (CTC)	Permanently raises CTC to $2,200 and indexed to inflation.	Will benefit moderate-income families rather than the neediest. The phase-in structure will result in roughly 17 million U.S. children in the neediest families not receiving the full $2,200 benefit. The first quintile of the income distribution receives no increase in their benefit. The remaining four quintiles will receive and estimated average increase of $20, $60, $80, and $90, respectively.
Senior "Bonus" Deduction	Adds a temporary "bonus" deduction for senior citizens on top of the base standard deduction and another smaller age-based deduction. Expires at the end of 2028.	Primarily impacts seniors filing as single with income up to $75,000. New York State and City taxpayers who qualify for the bonus will have approximately $1,500 in additional after-tax income.
Standard Deduction	Makes TCJA's deduction amounts permanent, with annual indexing to inflation. Permanently eliminates the personal exemption which had been temporarily suspended under TCJA.	An estimated 8.6 million New York State taxpayers – 3.2 million of whom live in the city - will benefit from this enhancement of the standard deduction.*
State and Local Taxes (SALT) Deductions	Temporarily increases the cap up to $40,000 for some tax filers through 2028. After 2028, it will return to $10,000 for all taxpayers.	Impacts those who will itemize their deductions, up to tax filers with income below $600,000. An estimated 450,000 New York City taxpayers will benefit from the change, with most having income between $100,000 and $500,000.
Tipped Income	Temporarily allows for some single filers in specified industries to deduct up to $25,000 in tip income. Expires at the end of 2028.	Benefits people with incomes below $150,000.
Overtime Wages	Temporarily allows for some single filers to deduct up to $12,500 in overtime wages. Expires at the end of 2028.	Benefits people with incomes below $150,000.

*CNYCA analysis of IRS SOI and New York State Department of Taxation and Finance data.

4. FISCAL POLICY OUTLOOK

The City's ability to create and maintain new programs and services hinges on securing sufficient revenue. Unlike the federal government, states and cities must balance their budgets each year. Their budget decisions are constrained by their revenue forecasts.

Mayor-elect Mamdani has pledged major new public programs, including building new affordable housing, eliminating bus fares, and making child care free and available to all. However, making that happen will require significant public investment at a time when the federal government is reducing funding the City and State have long relied on. Therefore, the incoming administration will need to be creative and strategic in pursuing its agenda while simultaneously supporting critical programs serving low-income households that will face significant federal funding cuts starting in 2026.

In this section, we evaluate the fiscal capacity of the City and State to address policy priorities in the budget processes starting in January 2026.

A. Revenue Outlook

1. Federal

The federal government has often been a reliable source of funds to localities. During the Biden administration, it made substantial funding available to states and cities to invest in public infrastructure and climate change mitigation.

The Trump administration is following a markedly different course – even in the face of popular support for bold action to meet a widespread affordability crisis. As noted, OBBBA changes to Medicaid and SNAP eligibility will disproportionately reduce support to low-income households. (See Section 3.)

In this section, we describe the impact of OBBBA business tax changes on overall State and City revenue as well as the current status of federal funding cut threats and actions in City program areas.

OBBBA Business Tax Changes to City and State Revenue

Several OBBB A changes to business income and excise taxes will impact State and City tax revenue directly. The costliest concern how businesses account for the value of investments in plants and equipment and costs of research and development.[40]

40 Businesses have generally always been allowed to deduct a portion of the cost of prior capital investments from their current year taxable income to reflect the depreciation in the value of the equipment over time. This process is also known as "expensing." In recent decades rules on how quickly eligible investments can be expensed have varied considerably. Speeding up expensing, which reduces tax liability in the near term, can be an incentive to invest in new plants and equipment faster than if the longer "normal" expensing period was in effect.

OBBBA includes five provisions regarding expensing and investment with a total 2026 cost to the Federal budget of nearly $130 billion.[41] Four would also flow through to the city and state tax bases and budgets, lowering tax revenue in New York City by roughly $520 million and $2.9 billion for the State, at least in the near term. (A fifth provision makes permanent "bonus depreciation" for many types of property and equipment but does not flow through to state and city tax bases.)

Another provision, one that would positively flow through to the city and state, concerns taxation of income earned by foreign affiliates of U.S. firms. TCJA had made significant changes in this area, including what was essentially a minimum tax known as GILTI (Global Intangible Low-Tax Income) on foreign affiliates of U.S. corporations. OBBBA did away with some TCJA changes, including moving away from GILTI and introducing a new approach to taxing foreign income. The New York City Department of Finance has estimated this will result in $55 million in additional revenue in 2026 for the city.

City Programs Impacted by Federal Funding Cuts and Threats

The Trump administration has also reduced or stalled funding for City agency programs and local non-profits that manage public infrastructure, programs, and services that are critical for the day-to-day functioning of the city. These measures have the additional effect of reducing the fiscal space the City has to spend on existing and new programs. One year into the second Trump administration, here are some services and programs that are directly at risk:

Child Care: Child care is delivered through a variety of public and private programs with funding for some programs and participants provided through a mix of federal, State, and City dollars. This will be made more challenging by the Trump administration's efforts to defund Head Start, which provides free child care for children five years old and under to low-income families. The City's September 2025 application for a five-year Head Start renewal was not approved by the federal government, leading to an annual loss of $70 million that Head Start programs rely on.[42] (This follows the Trump administration's illegal withholding of $1 billion from the program nationally in early 2025. It also abruptly closed half the country's regional Head Start offices. "Project 2025," widely seen as the Administration's de facto policy blueprint, called for eliminating Head Start altogether.)

Climate Change: The Trump administration has proposed defunding the Environmental Protection Agency (EPA), starting with a 55 percent cut in the EPA's federal fiscal year (FFY) 2026 proposed budget, which Congress will have to deliberate on before its continuing budget resolution expires on January 30, 2026.[43] These are in addition to the OBBBA elimination of federal tax credits for zero-emission vehicles, solar panel installations, and the Inflation Reduction Act's (IRA) capital expenditure funding mechanisms for renewable energy projects.

That last development is particularly problematic for statewide implementation of the Build Public

41. Because CNYCA lacks access to some business tax data, our revenue estimates for business tax provisions are less robust. In general, we shared down the Joint Committee on Taxation estimates with ratios of GDP and federal tax liability at the federal and state levels. (See Glossary.)
42. Office of the New York City Comptroller, New York by the Numbers: Monthly Economic and Fiscal Outlook, September 2025.
43. Environmental Protection Network. Trump FY26 EPA Skinny Budget Factsheet. May 9, 2025.

Renewables Act, which was designed to utilize the IRA's direct pay provisions and, in particular, sub-market rate lines of credit for public energy infrastructure.

Meanwhile, President Trump has issued executive orders, building off of bipartisan consensus, for a nuclear energy renaissance. This creates one opening for New York State to reintroduce nuclear power as a source of clean energy in the coming years. It is also aligned with Governor Hochul's June 2025 directive to the New York Power Authority (NYPA) to develop at least one new gigawatt of energy generated from a nuclear power plant.

Cultural Organizations: The City is a significant beneficiary of several federal grant programs, through the National Endowment for the Arts (NEA), the National Endowment for the Humanities (NEH), and the Institute of Museum and Library Services (IMLS). From 2019 to 2024, New York City received an annual average of $38 million combined from these agencies.[44] In CFY 2024, 70 percent, or $23 million, of funding was given to Manhattan cultural institutions. While no funding cuts have been made to these programs yet, there are significant risks for the City's non-profit cultural institutions. Federal budget cuts to the IMLS led to the resignation of 80 percent of its workforce in March 2025, along with the rescinding of over 1,000 grants, some impacting arts organizations in the city.[45] The U.S. House of Representatives appropriations package for the next federal fiscal year also proposes a 35 percent cut in the NEA and NEH budgets.

Education: The City currently relies on approximately $2.5 billion of federal funding to support public K-12 and early care and education and $1 billion of federal funding to support CUNY.[46] This is a fraction of the New York City Public Schools (NYCPS) operating budget of $34 billion annually.[47] However, this federal funding directly supports programs that serve low-income students and protect students from discrimination. Title I and special education federal funding are at risk in the budget Congress will deliberate on before its continuing budget resolution expires on January 30, 2026. The Trump administration is also working on changes to these grant programs that will likely reduce targeted support for vulnerable students. It has already aggressively laid off US Department of Education staff, with explicit plans to completely abolish the department. These actions compromise the ability of the federal government to disburse grants to school districts and uphold civil rights law.

Emergency Preparedness: Local responses to weather-related and security crises of the kind New York has faced on 9-11, Hurricane Sandy, and the Covid-19 pandemic are handled collectively by the New York Police Department (NYPD), Fire Department of New York (FDNY), and New York City Emergency Management (NYCEM). In City Fiscal Year (CFY) 2025, $503 million in federal Department of Homeland Security (DHS) funds supported emergency preparedness across these three agencies. In particular, NYCEM received 29 percent, or $37.9 billion, of its funding in CFY 2025 through DHS grants.[48]

The Trump administration has taken actions over the past year jeopardizing New York's ability

44. New York City Independent Budget Office, How Federal Budget Changes Could Impact New York City Cultural Organizations, October 2025.
45. Samantha Maldonado, "NYC Arts Groups Reel as Trump NEA Cuts Hit Home," The City, May 8, 2025.
46. Office of the New York City Comptroller, Protecting New York City, November 13, 2024.
47. New York City Independent Budget Office, How Federal Budget Changes Could Reshape New York City Department of Education, October 2025.
48. New York City Independent Budget Office, How Federal Budget Changes Could Impact New York City's Disaster Prevention, Response, and Recovery, October 2025.

to address future crises. In February, it clawed back from the City over $80 million of FEMA-appropriated funds. Secretary of Homeland Security Kristi Noem has advocated for the end to the Urban Area Security Initiative, which alone would have cut $187 million of funding allocated for New York State this year (had bipartisan backlash not helped to reverse this action). Trump also plans to abolish FEMA altogether.

Hospitals (New York City Health + Hospitals (H+H)): H+H is the City's public hospital network, serving over one million city residents annually, 65 percent of whom are Medicaid recipients or uninsured. Total revenues for the City's public hospitals were projected at $13.5 billion for CFY 2025. The OBBBA is projected to cut over $1 trillion in federal Medicaid spending over the next decade. H+H projects a $1.5 billion reduction in its revenue for CFY 2026 and forecasts that its revenue will remains below expense through 2029.[49] This will undoubtedly result in H+H spending cuts, which may reduce the number of people it employs or the services it can offer.

New York City Housing Authority (NYCHA): Operating the largest public housing program in the country, 67 percent of NYCHA's $5.4 billion operating budget originates from the federal government. In May 2025, the Trump administration released their FFY 2026 Discretionary Funding Recommendations, proposing as much as a 43 percent, or $27 billion, reduction in funding for Section 8 housing programs.[50]

Moreover, the Trump administration proposes a two-year rental assistance cap on non-disabled tenants. Section 9 NYCHA residents have an average tenancy of 25 years, and Section 8 voucher recipients have an average tenancy of 15 years. This proposal, if approved by Congress, would lead to drastic upheavals in their lives and in NYCHA operating budget revenue. The City would need to find another non-federal source of funding to subsidize the rents of these longer-term tenants. NYCHA also needs to secure an additional $78 billion for its capital budget to fully repair its housing stock.

Transportation: New York City's public transportation infrastructure has been the target of attempted funding cuts by the Trump administration. In January 2025, New York City implemented the Manhattan Congestion Relief Zone, despite efforts by the Trump administration to squash the program and its goals (and now successes) of reducing automobile traffic, noise and air pollution, and commute times. A lawsuit by the Trump administration on this issue is in federal court, although a preliminary injunction ensures continued operation of the program for the duration of the litigation. Additionally, the Trump administration has withheld $12 billion capital funds already allocated for the Gateway Project to construct a passenger rail tunnel between New York and New Jersey (effectively canceling this work), and $3.4 billion for Phase 2 of the Second Avenue Subway.[51]

49. New York City Independent Budget Office, How Federal Budget Changes Could Impact New York City's Public Hospital System, September 2025.
50. New York City Independent Budget Office, How Federal Budget Changes Could Reshape The New York City Public Housing Authority, September 2025.
51. Matthew Haag, "Trump to Withhold $18 Billion for New York-Area Transit Projects," The New York Times, October 1, 2025.

2. New York State

Despite the economic and political vicissitudes of the past year, the current fiscal condition and near-term outlook for New York State's Fiscal Year (SFY) 2027 budget process is surprisingly positive. The State will likely be able to maintain budget balance in SFY 2027.

The picture, however, darkens for future fiscal years. The Trump administration's threats to pull federal grants for a broad number of local projects and the OBBBA changes to health insurance programs and SNAP will create substantial budget gaps that will grow bigger over time.

Part of the reason for a positive outlook for the SFY 2027 is better than expected economic growth in 2025. (Forecasts last year anticipated a 2025 recession.) In total, the New York State Division of the Budget (DOB) mid-year update showed a net "all funds" tax revenue forecast increase of $702 million.[52] This is largely due to a $757 million increase in personal income tax (PIT) receipts.

Nor does that update incorporate an even fuller expected revenue increase arising from the continued strong 2025 performance of the financial sector. With very strong profits from the New York Stock Exchange, member firms are currently on course for $60 billion in pre-tax profits, which would be one of the highest on record. It is likely that bonus compensation and capital gains realizations will be higher than DOB is currently projecting.

However, it is reasonable to be cautious in forecasting revenue from the financial sector. Volatility on Wall Street is also the biggest downside risk for New York State, which receives two-thirds of its tax revenue from the PIT. If the AI bubble were to collapse, revenue from salary and bonus income would fall, as would capital gains realizations.

DOB's mid-year forecast does include estimates of the impact of OBBBA, which is one reason for its downward revision. Most notably, the DOB estimates that several OBBBA business tax provisions will reduce State tax revenues by an estimated $900 million in SFY 2026 and $950 million in SFY 2027. To avoid these revenue losses, the State would need to enact legislation to "decouple" the sections of the State tax law that align with the related sections of the federal tax code.

There are large OBBBA impacts on the State budget. Combining tax and benefits changes, the impact totals $952 million in the current fiscal year, and then grow rapidly to $3.6 billion in 2027 and $4.4 billion in 2028. DOB has included these estimates in the mid-year update. Several independent studies estimate the impact of OBBBA benefit changes on the State budget to be larger.[53]

52. Because of its complex fiscal structure, the State budget documents present four alternative methods. The "All Governmental Funds" presentation which is used in this report, is the most comprehensive.
53. Jillian K. Bronner, An Analysis of the One Big Beautiful Bill Act (OBBBA)'s Impact on Healthcare for New York, Rockefeller Institute of Government, July 10, 2025; Michael Kinnucan, The State is Understating Threats to NYS Medicaid After OBBBA, Fiscal Policy Institute, July 25, 2025.

3. New York City

The City's Office of Management and Budget (OMB) released its first quarter budget modification in November. Similar to the State's mid-year update, it reflected how well the City is doing from a budget standpoint, despite economic uncertainty and stagnation. The City Fiscal Year (CFY) 2026 budget has a $75 million surplus, followed by growing budget gaps in the outyears.

With economic forecasts similar to the State's mid-year update, OMB revised the total tax forecast upward by a net of $419 million. This was driven by an increase of $727 million in the combined PIT and Pass-Through Entity Tax (PTET), partially offset by a $378 million decline in business tax revenue.

As with the State's forecasts, these upward revisions do not fully incorporate record-breaking pre-tax profits of New York Stock Exchange member firms, from which the City is likely to generate more revenue than budgeted for the current fiscal year. Growth in the city's largest tax revenue source, the real property tax, continues at an average annual rate of 3.3 percent, barely half the pre-pandemic rates, adding to the stress on the City's budget.

Many states across the country are reporting gaps between their business tax collections and the forecasts in their budgets, which may be attributed to the impact of OBBBA tax changes. Like the State's mid-year update, the City forecasts include expected business tax decline; unlike the State, it didn't attribute them to OBBBA tax changes.

On the spending side, the OMB report included a net increase of $848 million in agency expenses; none are the product of major new policy initiatives. One notable change was to add $400 million to the Human Resources Administration (HRA) budget for rental housing vouchers as required by City Council legislation. However, the money was only added to the 2026 budget, with no funding for the program in the City's updated four-year financial plan. If the legislation remains in place with no permanent funding, the size of the budget in 2027 through 2029 is understated by at least $400 million each year.

The November Plan also included a very modest savings program that relies entirely on debt service savings of $116 million. Other savings will accrue from agency staff vacancies – which in some cases have resulted in diminished services.

The adjustments to revenues and expenses to the plan for CFY 2027 result in a budget gap of $4.7 billion (and a larger budget gap in 2028). In January 2026, the new administration will need to present a financial plan with CFY 2027 in balance.

B. Budget Tools

Policymakers will need to be creative in identifying resources to mitigate the current and future harm caused by the Trump administration as well as improve or create new services and programs to address economic inequality, the affordability crisis, and more. New tax policies and additional revenues would address these needs. Other funding resources, however, are also at least technically available. They include the City's and State's reserves and the debt-financing capacity.

These tools are not feasible solutions to long-term deficits in operational expenses. They are not appropriate instruments of expansionary fiscal policy. However, they are tools for addressing temporary stopgaps or modest, one-time shortfalls in capital expenditures. Within those strict constraints, we present these as part of a toolkit for City and State policymakers.

1. State Reserves: Available for Short-term, One-time Needs

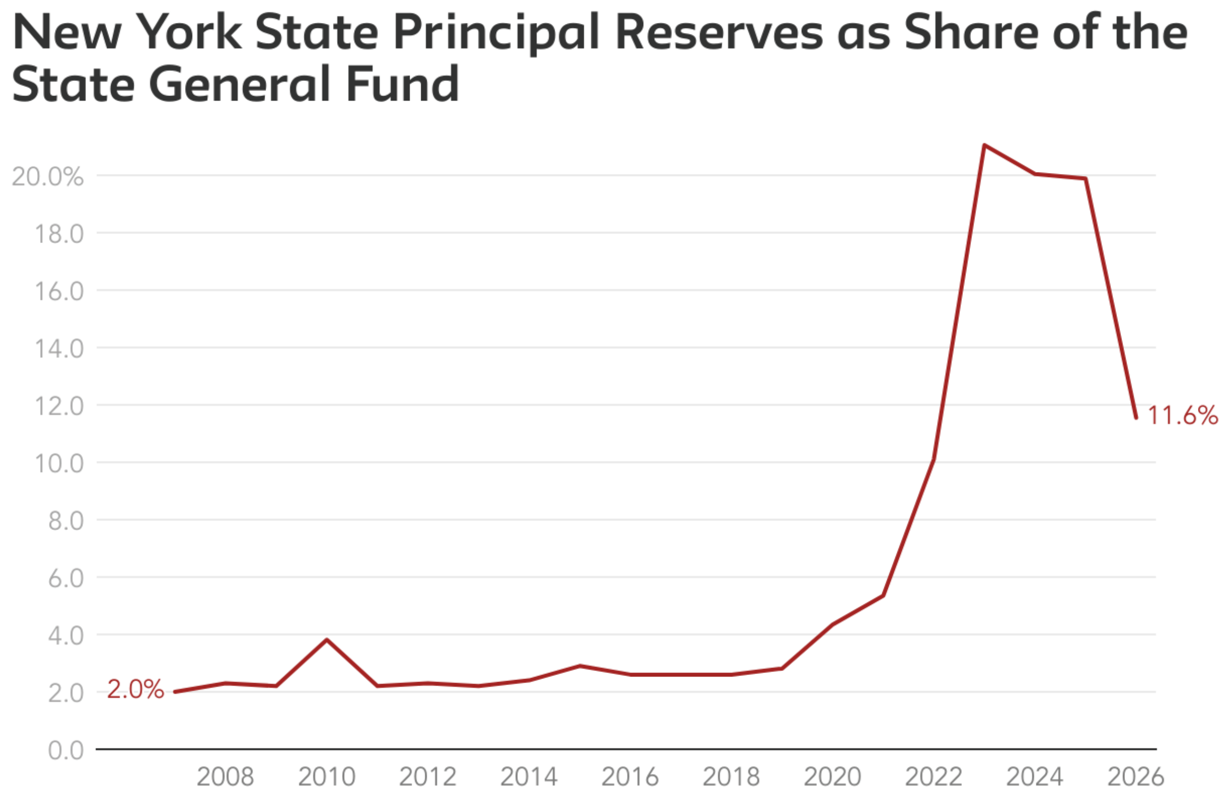
New York State has made unprecedented investments in its reserves in recent years and currently holds $14.6 billion in its three principal reserve funds. (See Glossary.) This is not sufficient to permanently fill the OBBBA-related federal funding gap. However, given actions by the Trump administration and Congress in 2025, the State should seriously consider using its reserves to address the gaps in SFY 2027 and SFY 2028 while policymakers work to develop sustainable policies for a new fiscal reality shaped by OBBBA. The State should also consider drawing on these reserves in the next fiscal year for short-term, one-time needs that have economy-wide benefits, as it did last year with the unemployment insurance (UI) system.

In FY 2025 the State's principal reserves amounted to $21.6 billion or 20 percent of the General Fund, much higher than State Comptroller Thomas DiNapoli's recommended target of 10 percent of the General Fund (see Figure 8).[54] The current $14.6 billion is equivalent to 11.5 percent of the State's projected General Fund in FY 2026. (See Glossary.)

While this may seem too close to DiNapoli's 10 percent target, the State has weathered significant shocks – from the Great Recession to the Covid pandemic – with reserves as low as two percent. New York should, then, seriously consider using these funds for short-term, one-time investments that can counteract some of the negative impact of federal actions on State and City programs and services. Not using these funds, on the other hand, increases the risk of prolonged economic stagnation and economic hardship for historically marginalized and vulnerable groups.

54. Office of the New York State Comptroller, The Case for Building New York State's Rainy Day Reserves, 2019.

Figure 8



Share of FY26 is projected

Source: CNYCA Analysis of the NYS Enacted Budget Document, Division of the Budget 2007-2026

It's worth noting how New York State has used its reserves in recent years. Unlike other large states like California and Texas, New York did not use reserves to mitigate the Covid pandemic. But in FY 2026, the State approved using $7 billion from the reserves to pay down the State's UI trust fund Covid-related debt to the Federal treasury.

This use of the reserves will increase the maximum weekly UI benefit from $504 to $800 and, as a result, improve UI as a countercyclical policy tool. (See Glossary.) The UI system is financed through employer contributions, and its structure disproportionately impacts small businesses compared to large firms with high-wage employees.[55] The $7 billion in reserves spent to eliminate the trust fund debt essentially bailed out large firms using taxpayers' money without any restructuring of the UI system to prevent future insolvency or make the system more equitable for employers.

This bailout for businesses was made possible, because of the large level of reserves held in the Economic Uncertainties reserve fund, that can technically be tapped for any purpose. Starting in FY 2026, Governor Hochul has made it a priority to move funds out of this reserve and into the Rainy Day Reserves Fund (RDRF). RDRF disbursements can currently only be approved by a super-majority of the State Legislature and used only under certain conditions, including revenue shortfalls, five

55. James Parrott, Albany Bails Out Our Unemployment Insurance Boat. Guess What? It Still Leaks., Center for New York City Affairs, May 14, 2025.

months of economic decline, natural disasters, or terrorist attacks.[56]

Regardless of which fund these reserves reside in, however, the State should evaluate its countercyclical policy tools, so that it is prepared to utilize these reserves in the event of an economic downturn in ways that generate inclusive economic growth.

2. City Debt: A Source of Limited Capital Funding

More than in most jurisdictions, New York City's ability to issue debt is bound by statute, the New York State Constitution, and the City Charter. This is part of the legacy of the 1970s fiscal crisis.

By share, the largest amount of annual debt issuance and debt outstanding is long-term debt which must be used for capital projects including physical construction and infrastructure (streets, bridges, parks, buildings), the acquisition of real property on which infrastructure is built, and machinery or other furnishings.[57] The most common forms of New York's long-term debt are General Obligation (GO) bonds and Future Tax Secured (FTS) bonds. GO bonds are backed by the City's property tax revenues. FTS bonds are backed by personal income tax and sales tax revenue.[58]

The other type of municipal debt is short-term, which in the case of New York must be retired by the end of the same fiscal year it was issued in. The City has regularly used this type of debt-financing to issue tax anticipation notes to manage cash flow, such as the gap in revenue between scheduled tax payments. (See Glossary.) It has also been used for short-term, one-time expenses for which immediate liquidity is needed.

The maximum City GO debt outstanding is capped in the State Constitution at 10 percent of the average full value of taxable real estate for the most recent five years. As of June 30, 2025, this value was estimated by the City Comptroller to be $140.6 billion. All told, when subtracting allocations towards paying down bond principal and other issued debt, total City indebtedness stood at $110.7 billion, leaving $29.9 billion in unused debt capacity. However, based on the City Comptroller's estimates, the total debt incurring power will grow slower than outstanding debt, so that the amount available on June 30, 2026 will be $23.9 billion, and $13.8 billion by June 30, 2029.

Statutory constraints also limit the outstanding amounts of FTS debt outstanding at a given time. Currently, there can only be $30.5 billion in FTS bonds outstanding, although this limit has been raised by the State Legislature in recent years. (The City has the option to exceed this $30.5 billion limit without State approval, but doing so adds to the City's existing debt burden.)

In addition to GO and FTS issuance, the mayor and comptroller oversee and approve debt issued by a myriad of public authorities and State-chartered public benefit corporations, including but not limited to the Municipal Water Finance Authority, New York City Health + Hospitals, the New York City Housing Development Corporation, and the Hudson Yards Infrastructure Corporation. These bonds are backed by non-tax revenues, such as water rates paid by New York City residents. In

56. New York State Finance Law § 92-CC, 2023.
57. New York City Charter, § 2010(1), § 2017(c)
58. New York City Charter, § 2010(1), § 2017(c)

recent history debt has been issued by these public authorities to finance a range of projects from affordable housing and climate resiliency infrastructure to sports facilities.

New York City has used debt financing for some of its most impressive infrastructure projects, so this is a tool that the incoming mayoral administration should learn to use strategically, drawing on lessons from the City's history.

5. RECOMMENDATIONS

The pandemic, geopolitical conflicts, climate change, and Trump's policy agenda have upended trade, welfare, and administrative state standards and institutions. Together, these have laid bare the extraordinary stressors and precarity underpinning our entire society, especially affecting the most vulnerable among us.

Incoming Mayor Mamdani's campaign slogan "afford to live and afford to dream" reflects his bold policy agenda to confront that precarity. Much of his agenda includes more public provisioning of basic necessities to offset costs on individual households. That will require significant public investment at a time when federal actions have multiple downstream effects on the State and City budgets that threaten the existing public infrastructure and institutions that all New Yorkers rely on and that will disproportionately impact low-income and immigrant households.

Our research demonstrates that, given current economic conditions, New York City should expect another year of rising inequality and poverty. This will put even more strain on State and City budgets, because of the need to serve more people through existing programs or to offset federal cuts.

Bold State and City policy interventions are needed to address poverty, inequality, and affordability. They require new government revenue sources and multi-year plans.

This section includes two types of recommendations. First, we recommend ways the City and State can address critical funding needs this year and beyond. Second, we recommend policy tools to facilitate inclusive economic growth that directly mitigates rising poverty and inequality.

A. How policymakers can address funding needs in FY 2027 and beyond.

1. Take steps to retain every federal dollar immediately.

- **The State should decouple OBBBA business tax changes from New York tax law.** Business tax changes passed in OBBBA could wind up costing the City and State significant tax revenue. We estimate that in 2026, when these changes go into effect, State and City tax revenue could be reduced by $2.9 billion and $520 million, respectively.[59] New York policymakers have the option to "decouple" New York's taxable income definition from OBBBA's new federal definition and thereby avoid this revenue loss. The City and State have done so in the past, most recently after the Tax Cuts and Jobs Act (TCJA) was passed in 2017, and should do so again immediately.
- **The State and City should invest in agency staffing; outreach; and innovation in applications, programs and systems (like ACCESS HRA) to minimize the likelihood that people will lose SNAP and Medicaid due to new work eligibility and reporting requirements.** Some 956,000 New York City residents are at risk of losing Medicaid and SNAP

59. Due to limited available data, these are rough estimates of business income tax effects.

in the next two years due to new reporting and work requirements implemented in OBBBA. This has implications for their economic security; it also creates a need for additional local revenue to support these individuals if they no longer qualify for Medicaid and SNAP, which are largely paid for with federal funding. The City and State must make an upfront investment this year to meet the new administrative burdens embedded in OBBBA. This includes: establishing a massive work program (drawing on lessons from the impact of the 1996 welfare reform law); well-designed and communicated, simple applications and technology tools for impacted individuals; and staffing up agencies and community-based organizations to help people navigate these changes. Mamdani's extensive election canvassing teams could be used to help communicate with the public, minimizing the harm to individuals and the budget challenges that will result.

2. The State should use reserve funds in FY 2027 for short-term, one-time investments that can counteract the negative impact of federal actions on State and City programs and services.

While the State reserves cannot address all funding gaps or new program ideas, they are a critical resource to address acute challenges this year while policymakers identify other revenue raisers to address the growing budget shortfall in outyears.

3. The State and City should pass progressive City tax reforms in FY 2027 to address long-term needs for additional City revenue.

Given increased inequality, exacerbated by OBBBA, priority should be given to revenue raisers that facilitate wealth redistribution. Some options include:

- **The State should add one or more brackets with higher rates to the City's personal income tax.** The City's income tax is currently not very progressive, with the top bracket beginning at $90,000 for a married couple.[60] Restructuring the brackets and rates would increase progressivity by capturing some of the significant real wage growth for high-income earners in recent years. To generate roughly $1 billion in new revenue annually, the city could add two new high-income tax brackets ($1 million to $5 million, and $5 million and up), with rates of 4.2 percent and 4.4 percent, respectively.
- **The City should rescind the Madison Square Garden property tax exemption.** Ending this property tax exemption would increase City revenue annually. In Fiscal Year 2025, the City has forgone $45.1 million in revenue from this one exemption.[61]
- **The City should negotiate a payment in lieu of tax (PILOT) from private universities and hospitals that are currently exempt from property taxes under State law.** Such institutions benefit from City services that are funded in part through the property tax paid by others. If all of the institutions with total property holdings of $500 million or more forge agreements in line with our proposal, it could generate $483 million in PILOT payments for the City for one year.[62] Making this a stable and recurring revenue stream would require amending the State Constitution.

60. James Parrott, Dollars, Sense, and the 2025 Mayoral Election: Affordability, Tax Policy, and the Future of New York, Center for New York City Affairs, October 2025.
61. CNYCA analysis of New York City Department of Finance, Property Information Portal.
62. George Sweeting, Considering Payments in Lieu of Taxes (PILOTs) from Tax-Exempt Hospitals and Universities, Center for New York City Affairs, May 2024.

- **The City should implement comprehensive property tax reform, such as those recommended by the NYC Advisory Commission on Property Tax Reform.**[63] There are many unequal tax burdens embedded in the City's real property tax (RPT) which have been well known and documented for decades. The City should capitalize on the incoming mayor's energy to enact comprehensive property tax reform. The Advisory Commission's 2021 final report provides an excellent starting point. However, some changes should be considered. For example, one constraint that was imposed on the Commission was that the net effect of all the changes must be revenue neutral. Relaxing that requirement would make it easier to assemble broad support for a more comprehensive reform. The Commission examined the role of property taxes in helping to drive up rents in large rental buildings (those with more than 10 units), but chose not to recommend changes, even though such buildings face a much higher tax burden than single-family homeowners. RPT reform will also need to examine whether the shift to greater use of work from home has permanently changed the value of office buildings in the city and what that change might do to the Commission's suggestions for the overall system.
- **The State and City should actively explore new revenue raising proposals together.** Many of incoming Mayor Mamdani's campaign promises require significant public investment, well beyond the City and State's current revenue streams. As a result, the City and State will need to work together to explore all options. They should prioritize progressive revenue raisers, given the extreme and increasing inequality in New York. They will likely need to develop multi-year plans that tie revenue opportunities to strategic phase-in plans for new universal programs.

B. How policymakers can facilitate inclusive economic growth.

1. The State and City should maintain services and programs, with a commitment to residents facing extreme hardship.

- **The City must preserve and maintain its existing universal core services and programs that benefit all New Yorkers.** Running the biggest, most complicated city in the nation is challenging and an act of vision and resistance itself. The City's existing core services – its public education, transportation, hospitals, housing, and public spaces – are directly under attack by the federal government. While these existing programs and services are in need of improvement to address long-standing inequity, they are universal programs that residents rely on daily. The incoming administration will need to prioritize preserving and strengthening them.
- **The City should prioritize programming and administration of benefits programs.** If unaddressed, poverty can dampen citywide economic growth. OBBBA imposes new benefit eligibility requirements and further restricts immigrants from accessing critical safety net programs. Many lessons have been learned since the 1996 welfare law reforms, which imposed work requirements on cash assistance recipients. The City must now administer new work requirements for Medicaid and SNAP (as well as reinstate work requirements for cash assistance recipients paused since the onset of the Covid-19 pandemic). That presents an the opportunity to innovate in ways that can best support directly impacted households, such as creating a municipal full employment program. It also must improve and streamline coordination with and across workforce development programs and improve City agency staffing and systems that will

63. NYC Advisory Commission on Property Tax Reform, The Road to Reform: A Blueprint for Modernizing and Simplifying New York City's Property Tax System, December 29, 2021.

be strained by these changes.

- **Safeguard immigrants:** The Trump administration's actions have stoked fear in immigrant households. This has destabilizing impacts on them and the city's economy. The City must uphold its sanctuary city law and be a leader again in opposing federal actions that threaten immigrants' rights. The City must also bolster legal services and work with existing organizations in impacted communities.

2. Protect workers.

There are many harms workers face in the U.S. economy, such as workplace injury and wage theft. Passing laws to increase protections against these harms will improve workers' livelihoods and quality of life and would not require significant public spending, aside from State and City monitoring and enforcement.

3. Establish and enforce higher labor standards for workers in low-wage occupations.

A simple way to increase the number of high-quality jobs in the city is to make existing low-wage jobs better paid. Many low-wage jobs are in health care, social services, and child care. Because Medicaid and public contracts pay for many of those services, the burden of paying better wages and benefits will fall more on the State and City than on private employers. State and City policymakers should work together to develop a plan to improve wages and identify sustained and progressive revenue needed for those improvements. While such actions will require upfront investments, they will generate stronger consumer spending locally, and facilitate economic growth. Policymakers can also improve wage standards by phasing out the subminimum wage for tipped restaurant workers and by further raising the state minimum wage.

4. Prioritize neighborhood small business and job opportunities.

Neighborhood-level analysis of financial wellbeing suggests that local early-career jobs strengthen households' economic resilience.[64] Supporting affordability measures for local businesses, including displacement protections and business development opportunities also build greater economic power in low-income neighborhoods.[65] As the city prepares for long-term climate change effects and economic uncertainties, local business and job creation should also be key objectives in infrastructure redesign plans and policies, recognizing that public sector investments can support equitable long-term economic development and resilience. In addition to transit and renewables, investing in neighborhood stewardship infrastructures and activation of green spaces like parks, urban agriculture, and community composting can generate local and early-career jobs and business opportunities, building up social capital while simultaneously lessening the impacts of summer heat waves and downpour floods.[66]

64. New York City Department of Consumer and Worker Protection, How Neighborhoods Help New Yorkers Get Ahead, December 2017.
65. Gina Lee, A Small Business Affordability Agenda for NYC, Policy Brief, Association for Neighborhood & Housing Development, November 24, 2025.
66. Audrey Jenkins, Compost Regenerates NYC's Economy: Growing Green Jobs for Young People, Center for New York City Affairs, February 26, 2025.

5. New York State should direct fiscal stimulus to public works that can create high-quality jobs.

In spite of substantive federal cuts to New York's transit infrastructure, renewable energy generation, and affordable housing, the State and City government should strive to find areas of public investment carrying downstream effects of much-needed job creation. For example, statutory reforms to New York City's zoning code – in the spirit of expanding new housing construction under the City of Yes initiative – can help spur private sector housing development, and a plethora of skilled trades and construction jobs with it. Despite an uncooperative federal government, policymakers should strive to identify analogous avenues of meaningful investment and reform.

6. GLOSSARY

Many terms and concepts in this report may not be familiar to everyone. This glossary aims to increase the accessibility of our findings and recommendations.

Economics Terms

Employment Rate: Percentage of the total working age non-institutionalized population (16 and older) who are currently employed, either part-time, full-time or on a temporary basis at a private or public institution or as a business owner or independent contractor. The non-institutionalized population excludes people who are incarcerated or on active military duty.

Gini Coefficient: An index for inequality. It quantifies how income is distributed across a population. It ranges from 0 (perfect equality) to 1 (maximum inequality). Named after Corrado Gini.

Income Decile: a population divided into 10 equal groups based on income, from the lowest earners (decile 1) to the highest (decile 10).

Income Quintile: a population divided into five equal groups based on income, from the lowest earners (quintile 1) to the highest (quintile 5).

Labor force participation rate (LFPR): Percent of the total working age non-institutionalized population (16 and older), who are either employed or unemployed. The non-institutionalized population excludes people who are incarcerated or on active military duty.

Non-farm jobs: Payroll "on the books" jobs (part-time, full-time or temporary) at a private business, non-profit organization or government institution.

Recession: According to the National Bureau of Economic Research (NBER), it is a significant decline in economic activity that lasts for more than a few months and affects every facet of life: spending, production, jobs, and income.

Unemployment rate: Percentage of the labor force who were actively looking for work over the past four weeks but unable to find any work. This category excludes people who do not have jobs and were not looking for work over the past four weeks.

Fiscal Policy and Tax Terms

Capital Projects: Building or improving physical assets (e.g. buildings, transit etc.)

Documented non-citizens: Legally present non-U.S. citizens, including lawful permanent residents, individuals with valid work authorization, refugees and asylees, and Temporary Protected Status

(TPS) holders, many of whom are subject to a five-year waiting period for Medicaid eligibility. Under OBBBA, the elimination of federal funding for New York's Essential Plan and the rollback of ACA subsidies place these individuals at heightened risk of losing affordable health coverage. They are not eligible for Medicaid due to federal immigration restrictions.

Countercyclical Policy: Economic policies that are designed to counteract business cycle dynamics in the economy. These policies aim to stabilize the economy by stimulating economic activity during recessions and slowing it down during periods of high inflation or economic expansion.

Debt financing: Borrowing money to finance projects (e.g., through sale of bonds).

Fiscal Years: A 12-month accounting period used by government to track and balance a budget. The City, State, and federal fiscal years are all on different schedules. These include:

- ***City Fiscal Year (CFY):*** The New York City fiscal year runs July 1st to June 30th
- ***Federal Fiscal Year (FFY):*** The U.S. government's fiscal year runs October 1st to September 30th
- ***State Fiscal Year (SFY)****:* The New York State fiscal year runs April 1st to March 31st

Future Tax Secured Bonds (FTS): Bond payments secured by the City's personal income and sales tax revenues.

General Obligation Bonds (GO): Bond payments secured by the credit and taxing authority of the City.

Joint Committee on Taxation (JCT): A U.S. congressional committee focused on tax policy. Joint Tax staff are independent economic, accounting, and legal professionals who provide nonpartisan advising on tax legislation.

Personal Income Tax (PIT): Federal, state, city tax on individual income.

Reserves: Funds containing surplus state revenue for future expenditures.

State and Local Taxes (SALT): A deduction individuals can make on their federal income tax for state and local tax obligations.

State General Fund: Primary fund of the state that receives unallocated tax revenue.

Policy and Public Program Terms

Cash Assistance: A program administered by the New York City Human Resources Administration. In New York State, there are two main programs of this kind: Temporary Assistance to Needy Families (TANF), largely paid by federal funds; and the Safety Net Assistance (SNA) program, a benefit fully paid by State and City revenue. SNA eligibility is broader than TANF eligibility, in which income-eligible families may receive up to 60 months of cash assistance. SNA can be accessed by households who are still in need after they've reached the five-year time limit on TANF, as well as individuals without dependent children or non-citizens.

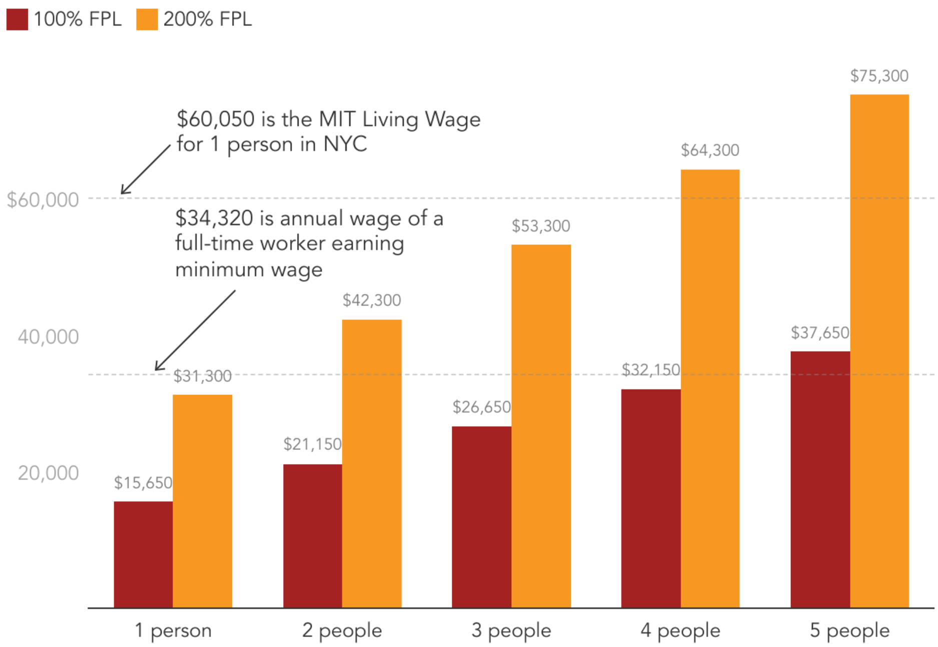
Child Tax Credit (CTC): A tax credit for families with qualifying children.

Federal Poverty Level (FPL): Income threshold defined by the federal government to determine eligibility for various programs. The FPL is a national value that is not adjusted to account for local costs of living. Figure 9 presents the annual income at various iterations of the federal poverty line. Table 5 lists the FPL threshold for some of the most important social safety net programs in New York City.

Figure 9

Federal Poverty Level by Family Size

2025



Source: CNYCA analysis of 2025 Poverty Guidelines, U.S. Department of Health and Human Services

Table 5

NYC Benefits by Federal Poverty Line Threshold

Benefit	FPL Threshold ▲
Medicaid	138%
Fair Fares	145%
SNAP	150% no dependents, 200% with dependents
NYS Essential Plan	250%
Child Care Assistance Program (CCAP) vouchers	85% State Median Income
Housing Vouchers	varies

Long-term Care (LTC): A type of Medicaid-covered service supporting individuals who need ongoing assistance with daily activities due to age, disability, or any chronic illness. Under OBBBA, there will be tighter eligibility rules for LTC.

One Big Beautiful Bill Act (OBBBA): Federal bill passed in July 2025 which includes a variety of changes, including: eligibility requirements for Medicaid and SNAP; changes in federal personal and business income tax rules; and the elimination of federal tax credits for renewable energy (solar panels, electric vehicles).

Supplemental Nutrition Assistance Program (SNAP): Federal food access program, in which currently 100% of the benefits are funded by the U.S. Department of Agriculture (USDA). City agencies and community-based organizations administer the program.

Tax Cut and Jobs Act (TCJA): A federal act passed in 2017 through the reconciliation process that implemented federal tax cuts for individuals and businesses.