New York State Association of Counties

Shifting the Burden

How Federal Budget Reconciliation Proposals Threaten New York's Counties

Executive Summary

Federal budget proposals under the "One Big Beautiful Bill Act" (OBBBA) aim to reduce national spending, but they do so by shifting many costs to state and county governments. If these proposals are enacted, New York's counties will face significant financial burdens and increased pressure on services like health care, social services, and public assistance. These changes could also lead to higher local property taxes and reduced access to critical services, especially for the most vulnerable residents.

Key Concerns for Counties and New York State

1. **Major Cost Shifts in Federal Programs**

   - **SNAP (Food Assistance):** Counties in New York currently pay the full cost of administering SNAP. Under OBBBA, administrative costs would rise from 50% to 75%, and states would need to pay up to 25% of the program's benefits—a cost the federal government has historically covered.

   - **Medicaid:** New federal rules and legislation would eliminate certain funding sources, cut reimbursement rates, and impose penalties, leading to billions in lost federal funds. This would leave the state and counties to cover the gap.

2. **Health Care Provider Tax Cuts**

   - The Senate proposes cutting the allowable tax on hospitals and nursing homes by nearly half. This tax is used by most states, including New York, to increase Medicaid payments to health providers.

   - Cutting this tax would reduce federal matching funds, **costing New York up to $2.5 billion annually** and severely impacting rural hospitals, nursing homes, and mental health services.

3. **Loss of Essential Plan Funding**

   - OBBBA would slash federal funding for New York's Essential Plan, which helps low-income residents and immigrants access health insurance. The cut could reach **$7.5 billion annually**, including **$3 billion in lost support in 2026 alone**.

   - Due to a state court ruling, New York would be legally required to continue covering these individuals—potentially adding **$2.7 billion in new state Medicaid costs**, with an additional **$1.3 billion federal penalty assessed each year** for covering non-citizens.

4. **Work Requirements for Medicaid**

   - New federal rules would require Medicaid recipients to work or meet specific criteria. This would shift major administrative responsibilities to county workers, forcing counties to hire **hundreds of new staff** to manage eligibility.

What This Means for Counties

If enacted, these proposals would:

- **Shift billions in costs** from the federal government to counties and the state.
- **Jeopardize critical health and social services**, especially in financially distressed areas.
- **Force counties to raise property taxes** or cut services to balance budgets.
- **Create overwhelming demand** on county-run departments like Social Services, Public Health, Mental Health, and Aging resulting from new requests for assistance as federal services and programs are reduced.

Evaluation of Key Budget Provisions

Administrative Action

Medicaid

$1.5B to $2B in reduced federal funds over next three years. A recently proposed federal Medicaid rule would end approved MCO health care provider taxes in the handful of states that received them in recent years, including NYS. New York was approved for $3.7B in new federal aid and it was incorporated into the SFY 26 Financial Plan to be used for provider rate increases, subsidies for financially distressed providers, among other items and distributed over the next three years. Once the rule is approved, unused funds lapse.

Legislative Action (OBBBA)

Essential Plan Federal Funding Cuts

Full annual impact of $7.5B in lower federal funding support -- The House plan calls for cutting federal subsidies to New York by more than half of what it currently receives. The New York **SFY26 impact could reach $3B**. Much of the funding loss stems from eliminating federally financed premium tax credits that are currently available to provide health care to hundreds of thousands of New Yorkers including special categories of undocumented immigrants (mainly children and elderly), other immigrant groups legally in the country (but not yet citizens), and self-employed individuals and others that do not have health insurance through their current employer and earn less than 250% of the FPL.

This loss of federal funding triggers a NYS court case Aliessa v. Novello that would force the state to fully fund $2.7B in new state-only financed Medicaid spending for the immigrant populations.

This NYS court mandated spending triggers another federal funding cut of about $1.3 billion annually because the House budget bill reduces ACA eFMAP spending by 10% for any state that provides health insurance to noncitizens (even those in the country legally) and regardless of the source of funds used for the coverage, in this case 100% state funds.

The Senate Parliamentarian ruled on June 26th that several provisions limiting or eliminating eligibility for certain individuals based on immigration status violate the Byrd Rule and will require a 60-vote margin (Sections 71109, 71110, 71111, 71301 and 71302). However, the Senate may rewrite these proposals to satisfy Byrd Rule requirements which means any such revision that is accepted would still have the same or similar implications and cost shift results for counties and local taxpayers

Work Requirements for Medicaid Recipients

The House and Senate are proposing work requirements for Medicaid recipients with some exceptions for certain populations. This function would require Medicaid eligibility workers, likely to be county workers in New York State under current law that would have to take on significant new administrative activity and would require the addition of hundreds of new county employees or contractors to fulfill that role. Regardless, the new regulations will cause a significant number of recipients to lose their health coverage. The loss of Medicaid revenue to hospitals and other practitioners will worsen fiscal stability across the entire healthcare sector in New York.

The chart below highlights the potential state financial plan impacts. Other health care system costs, and lost health insurance coverage for individuals and families would be on top of these figures. Counties have significant concerns as people lose health coverage that local DSS, Aging, Mental Health and Public Health offices could become overwhelmed with new requests for assistance. Any higher costs would likely require new local revenues or cuts in services to accommodate the federal cost shift.

House Passed Budget Reconciliation - DOB Estimated Costs
($ in millions)

	SFY 2026	SFY 2027	SFY 2028	SFY 2029
TOTAL	**($853)**	**($3,800)**	**($5,200)**	**($6,700)**
Medicaid	($750)	($3,600)	($4,100)	($4,600)
Disallow Premium Tax Credit	$750	$3,000	$3,000	$3,000
Community Engagement (Work Requirement)	$0	$550	$550	$550
Reduce eFMAP for ACA expansion population	$0	$0	$500	$1,200
SNAP	($103)	($205)	($1,200)	($2,100)
Increased Administrative Cost Sharing	$103	$205	$205	$205
Require state/local Program Share	$0	$0	$950	$1,900

Health Care Provider Tax Cuts

The Senate is also targeting a nearly 50 percent cut to allowable health care provider taxes. Currently these tax levels are allowed up to 6 percent in most cases, but the Senate proposal would cut that to 3.5 percent. The New York State impact could reach up to $2.5 billion annually.

This proposal would dramatically increase the size of Medicaid cuts compared to the House and would likely reach over $1 trillion in total in the Senate version. Forty-nine states utilize health care provider taxes at varying rates (46 states have taxes targeted to support nursing homes and 45 to hospitals). The revenue raised from these taxes are primarily used to increase reimbursements to hospitals and nursing homes, especially those that are struggling financially. In many states the enhanced rates provided through health care provider taxes are a lifeline for rural hospitals, nursing homes and mental health service delivery.

Since health care provider taxes raised by states are matched by federal funds, the impact on provider revenues is substantially larger than the impact on state budgets. The lost revenues in some states for health care facilities could be multiples of the state match provided. Based on prior estimates from the Congressional Budget Office, if the rate is reduced to 3.5%, the federal Medicaid funding reductions would likely be around $200 billion over 10 years and impact nursing homes and hospitals the most.

For the 21 public hospitals in New York and 21 county owned nursing homes lower Medicaid reimbursements will translate to higher local costs to keep their facilities open. The Senate Parliamentarian has ruled that this provision (Section 71120) violates the Byrd Rule and is subject to a 60-vote margin in the Senate. As noted, any rewrite that is eventually approved by the Parliamentarian would have cost shift implications for New York counties and local taxpayers.

SNAP Cost Shifts

Federal budget proposals would require states and counties to pay a larger share of federal program and administration costs for the SNAP program. Costs would increase from 50% to 75% for SNAP administrative costs (these are currently fully funded by counties in New York under state law). For program benefit costs, states and localities would have to pay up to 25% of the costs of benefits. The House is proposing a zero-tolerance error rate for estimating income eligibility for SNAP benefits (currently allowed to vary by $57 a month). For hourly workers determining the exact dollar of earnings per month, and even within $57 dollars, is fraught with liability for administrators as one sick day or some overtime would jeopardize eligibility and increase error rates to the maximum penalty level quickly.

Combined these costs shifts are estimated to save the federal government $230 billion over 10 years at the direct expense of states and other local governments. The chart below highlights the potential danger for counties, as estimated by NYSAC, under current state law. Counties would be responsible for administrative costs increases and error rates generated by counties could force program benefit penalties to be split between the state and county, directly impacting local taxes and services.

SNAP Estimated Cost Shift - One Big Beautiful Bill Act

Calendar Year 2024

County	Annual Benefits Paid	Admin. Shift 100%	SNAP Benefit Shift[1]	Total Annual Cost Increase to County
Albany	$76,301,030	$2,050,565	$7,630,103	**$9,680,668**
Allegany	$10,873,117	$292,211	$1,087,312	**$1,379,523**
Broome	$59,661,187	$1,603,375	$5,966,119	**$7,569,494**
Cattaraugus	$21,982,900	$590,783	$2,198,290	**$2,789,073**
Cayuga	$19,156,388	$514,822	$1,915,639	**$2,430,460**
Chautauqua	$52,904,202	$1,421,783	$5,290,420	**$6,712,203**
Chemung	$33,302,535	$894,995	$3,330,253	**$4,225,248**
Chenango	$14,108,765	$379,168	$1,410,876	**$1,790,045**
Clinton	$26,208,854	$704,354	$2,620,885	**$3,325,240**
Columbia	$11,724,584	$315,094	$1,172,458	**$1,487,553**
Cortland	$12,528,016	$336,686	$1,252,802	**$1,589,488**
Delaware	$9,820,610	$263,926	$982,061	**$1,245,987**
Dutchess	$39,970,306	$1,074,189	$3,997,031	**$5,071,219**
Erie	$331,965,951	$8,921,476	$33,196,595	**$42,118,071**
Essex	$6,295,038	$169,177	$629,504	**$798,681**
Franklin	$14,906,936	$400,619	$1,490,694	**$1,891,313**
Fulton	$17,904,645	$481,181	$1,790,464	**$2,271,646**
Genesee	$9,852,766	$264,790	$985,277	**$1,250,066**
Greene	$9,121,184	$245,129	$912,118	**$1,157,247**
Hamilton	$710,420	$19,092	$71,042	**$90,134**
Herkimer	$19,475,284	$523,392	$1,947,528	**$2,470,920**
Jefferson	$32,001,295	$860,024	$3,200,129	**$4,060,154**

County	Annual Benefits Paid	Admin. Shift 100%	SNAP Benefit Shift[1]	Total Annual Cost Increase to County
Lewis	$5,747,687	$154,467	$574,769	**$729,236**
Livingston	$11,595,947	$311,637	$1,159,595	**$1,471,232**
Madison	$13,514,277	$363,192	$1,351,428	**$1,714,619**
Monroe	$262,789,720	$7,062,388	$26,278,972	**$33,341,360**
Montgomery	$18,527,656	$497,925	$1,852,766	**$2,350,690**
Nassau	$102,088,185	$2,743,587	$10,208,818	**$12,952,405**
Niagara	$61,135,075	$1,642,985	$6,113,507	**$7,756,493**
New York City	$4,947,257,707	$132,955,929	$494,725,771	**$627,681,700**
Oneida	$61,135,075	$1,642,985	$6,113,507	**$7,756,493**
Onondaga	$154,563,410	$4,153,841	$15,456,341	**$19,610,182**
Ontario	$20,510,074	$551,202	$2,051,007	**$2,602,209**
Orange	$101,165,116	$2,718,779	$10,116,512	**$12,835,291**
Orleans	$10,980,049	$295,085	$1,098,005	**$1,393,090**
Oswego	$37,380,908	$1,004,600	$3,738,091	**$4,742,690**
Otsego	$14,446,322	$388,240	$1,444,632	**$1,832,872**
Putnam	$7,127,147	$191,540	$712,715	**$904,254**
Rensselaer	$35,274,548	$947,992	$3,527,455	**$4,475,447**
Rockland	$119,487,732	$3,211,194	$11,948,773	**$15,159,967**
Saratoga	$29,712,332	$798,509	$2,971,233	**$3,769,742**
Schenectady	$31,148,873	$837,116	$3,114,887	**$3,952,003**
Schoharie	$49,796,247	$1,338,258	$4,979,625	**$6,317,883**
Schuyler	$8,078,856	$217,117	$807,886	**$1,025,002**
Seneca	$3,891,570	$104,585	$389,157	**$493,742**
St. Lawrence	$7,449,664	$200,207	$744,966	**$945,174**
Steuben	$25,542,315	$686,441	$2,554,231	**$3,240,673**
Suffolk	$334,974,960	$9,002,342	$33,497,496	**$42,499,838**
Sullivan	$30,805,583	$827,890	$3,080,558	**$3,908,448**
Tioga	$10,213,833	$274,493	$1,021,383	**$1,295,877**
Tompkins	$1,189,967	$31,980	$118,997	**$150,977**
Ulster	$41,614,175	$1,118,367	$4,161,418	**$5,279,785**
Warren	$15,024,331	$403,774	$1,502,433	**$1,906,207**
Washington	$14,323,843	$384,949	$1,432,384	**$1,817,333**
Wayne	$17,855,915	$479,872	$1,785,591	**$2,265,463**
Westchester	$181,745,996	$4,884,364	$18,174,600	**$23,058,964**
Wyoming	$4,922,455	$132,289	$492,245	**$624,535**
Yates	$4,206,443	$113,047	$420,644	**$533,691**
TOTAL	**$7,628,000,000**	**$205,000,000**	**$762,800,000**	**$967,800,000**
57 Counties	*$2,680,742,293*	*$72,044,071*	*$268,074,229*	*$340,118,300*

[1] NYSAC Estimate. Assumes maximum penalty rate of 20% on benefits.

How Federal Budget Reconciliation Proposals Threaten New York's Counties

The current federal proposals under OBBBA threaten to unravel key parts of New York's health and human services system by shifting enormous costs onto counties. These changes would not only strain local budgets but also limit access to health care and social supports for residents across the state.

County leaders are urging state and federal officials to reconsider these proposals and protect New York communities from bearing the burden.

The United Voice of New York's Counties

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