ONE BIG BEAUTIFUL BILL ACT (OBBBA)

IMPACT ON NEW YORK COUNTIES

July 2025

On July 4, 2025, President Trump signed the One Big Beautiful Bill Act into law after narrow passage in both chambers of Congress. This massive budget reconciliation bill's primary focus is tax policy with more than $12.5 trillion in separate tax actions over the next decade, with about two-thirds being tax cuts and the remainder being tax increases.

It makes permanent many of the provisions of the Tax Cuts and Jobs Act of 2017 and adds a handful of new temporary tax cuts for individuals; provides a temporary increase in the SALT cap deduction from $10,000 to $40,000; and repeals or phases out many clean energy and health care related tax credits.

To offset the loss in federal revenue, the bill also includes a net reduction in federal spending of about $1.2 trillion over the next decade. These cuts are primarily achieved through $1 trillion in spending cuts to Medicaid, $186 billion in cuts to SNAP, and $380 billion in savings from changes to federal higher education loan programs. This is offset by additional spending on defense, border security and immigration detention, and new revenue increases through fees and federal land leases that are expected to generate $130 billion.

The bottom line for New York is unknown. The state has indicated several billion dollars in new costs for the State Financial Plan beginning next fiscal year, some of which may fall directly on counties under current law in the SNAP and Medicaid programs. The state estimates up to 1.5 million New Yorkers could lose health insurance and 300,000 households could lose SNAP benefits.

TAX CHANGES

Phaseout of Clean Energy Credits and Loan Authorities

- Effective October 1, 2025
- Counties that were counting on the continuation of certain clean energy tax credits for projects underway, clean vehicle fleet transitions, or projects scheduled to begin in the future may have to reconsider those projects with the loss of federal incentives.

Expansion of Advanced Manufacturing Investment Credit

- Effective January 1, 2026
- Some counties may benefit from an expansion of this federal credit due to industries such as computer chip manufacturing that may access this enhanced credit, which could spur more production capacity and accompanying workforce expansions.

Repeal and Phase-out of Health Tax Credits

- Effective as soon as January 1, 2026
- Most counties will likely see an increase in the number of people without health insurance as premium tax credits provided through the Affordable Care Act (ACA) begin to phase-out, making health insurance coverage too expensive for many currently enrolled.

Federal Deficit Impact

- **$3.4 trillion increase in the federal deficit is projected**. Overall, the tax cuts in the OBBBA are projected to reduce federal revenues by $4.5 trillion over the next 10 years, and when combined with $1.1 trillion in net spending reductions is expected to increase the federal deficit by $3.4 trillion over the next decade.
- **$5 trillion increase in the federal debt limit**. Effective immediately, the OBBBA increases the federal debt limit by $5 trillion, from $36 trillion to about $41 trillion, a 14 percent increase.

MEDICAID CUTS

Work Requirements ($366B Federal Savings)

- **Effective:** January 1, 2027
- **Requirement:** 80+ hours/month of work, education, training, or community service for able-bodied Medicaid expansion adults (ages 19-64).
- **State/County Role:** Under current state law counties will likely need to hire hundreds of eligibility workers to verify new monthly compliance and verification procedures; specialized training required. The state has estimated new training for necessary staff could reach $500 million over the next couple of years.
- **Coverage Loss:** The Congressional Budget Office (CBO) estimates that 4.8 million nationally will lose Medicaid due to work requirements. In New York alone, the state estimates 1.3 million residents will lose Medicaid coverage due to new eligibility and verification hurdles.

Healthcare Provider Tax Cuts ($191B Federal Savings)

- **Timeline:** Provider tax caps are frozen through 2028, then will be reduced 0.5% annually from 6% to 3.5% by 2032
- **NYS Impact:** Up to $2.5 billion annually lost in federal matching funds.
- **Rural Impact:** Threatens survival of financially distressed providers who rely on these supplemental payments.
- **County- and New York City-owned Health Facilities:** Nursing homes and intermediate care facilities are exempt.

Essential Plan Funding Cuts ($124B Federal Savings)

- **Immediate Impact:** $7.5 billion annual loss in federal funding to New York.
- **SFY 2027:** $3 billion loss in State Fiscal Year 2027 alone.
- **Coverage Loss:** An additional 730,000 New Yorkers could lose health insurance.

Increased Administrative Burdens

- **Semi-Annual Reviews:** Medicaid expansion adults must recertify eligibility every six months (vs. annually).
- **Retroactive Coverage:** Reduced from three months to one month for expansion population.
- **Provider Payment Limits:** New caps on state-directed payments to hospitals and nursing homes.
- **Cost-Sharing Requirements:** Beginning October 2028, expansion adults earning 100%+ of the Federal Poverty Limit (FPL) must pay up to $35 per service.

Healthcare System Destabilization

- **Hospital Losses:** $8 billion annually to New York hospitals and health systems is the projection from the health care industry.
- **Job Losses:** 34,000 hospital jobs, 29,000 health supplier jobs projected statewide.
- **Uninsured Crisis:** 1.5 million New Yorkers will become uninsured, returning the state to pre-Affordable Care Act uninsured levels.
- **EMS Impact:** Emergency services expected to be overwhelmed as uninsured seek care.
- **Uncompensated Care:** $3 billion annual increase in costs as coverage drops.

SNAP CUTS

Administrative Cost Shift ($185B Federal Savings)

- **Current:** Federal government pays 50% of SNAP administrative costs.

- **New:** Federal share drops to 25% (under current law counties would pay 75% of the non-federal share, a 50% increase).
- **State/County Cost:** $168 million annually for counties and New York City beginning in FY 2027.
    - These costs are expected to grow as new federal procedures will require added paperwork, tracking, and more frequent verifications.

Benefit Error Rate Penalties Will Require State Cost-Sharing

- **Current:** No cost sharing requirements.
- **New Penalties:** State cost-sharing based on error rates:
    - Under 6%: No penalty;
    - 6-8%: 5% state match;
    - 8-10%: 10% state match;
    - 10%+: 15% state match.
- **NY's Error Rate:** Currently over 10 percent error rate = $1.1 billion annually in state/local cost sharing penalties.
- **Implementation:** As early as fall 2027.

Expanded Work Requirements

- **Current:** Ages 18-54 without dependents must work 20 hours/week.
- **New:** Expanded to ages 18-64 and parents with children age 14+.
- **Benefit Loss:** 300,000 NY households will lose some or all SNAP benefits, averaging $220 per month per household.
- **County Impact:** More administrative burden on counties to verify work status.
- **Waiver Restrictions:** Reduced state flexibility to waive requirements in high-unemployment areas.

IMPLEMENTATION TIMELINE

Date	What Takes Effect
10/1/2026	SNAP administrative cost shift begins (75% state/county share)
1/1/2027	Medicaid work requirements begin; semi-annual Medicaid reviews
Fall 2027	SNAP benefit penalties begin (earliest possible date)

10/1/2028	Provider tax reductions begin; Medicaid individual cost-sharing requirements

BOTTOM LINE FOR COUNTIES

Total Estimated Annual Impact: Over **$1.3 billion** in potential new costs to New York counties and New York City from SNAP and Medicaid changes alone.

County Scenario Planning/Review

1. Cut or scale back critical services across county departments.
2. Continue to deliver services at a new cost.
3. Raise local property taxes or fees to cover federal and state cost shifts.
4. Delay or cancel capital investments and infrastructure projects.
5. Absorb long-term economic consequences.

Downstream Effects

- **Healthcare System Crisis:** Layoffs and service reductions at hospitals.
- **Safety Net Overload:** More demand for county social services, aging, public health, and mental health departments.
- **Emergency Services Strain:** Increased 9-1-1 calls as uninsured use ERs.
- **Economic Multiplier:** Healthcare job losses hurt broader local economies.

NEXT STEPS FOR COUNTIES

1. **Budget Planning:** Begin modeling fiscal impacts for FY 2026-2027 budgets.
2. **Staffing Preparation:** Plan for hiring/training hundreds of new eligibility workers.
3. **System Upgrades:** Prepare technology systems for new verification requirements.
4. **Federal Advocacy:** Urge federal representatives to allow waivers, delay or phase in implementation, and develop alternative compliance pathways where possible.
5. **State Advocacy:** Advocate for minimizing state cost shifts to counties by educating lawmakers on local fiscal impacts.