



Introduction

New York City's Adopted Budget for Fiscal Year (FY) 2027 included \$125.8 billion in total revenue. While most revenue is generated locally through property, income, and other taxes and miscellaneous revenues, more than \$21 billion, about 17 percent of the City's revenue, is expected to come from State aid, more than double the City's expected federal support (see Figure 1). Of this amount, the City anticipates State categorical grants of \$20.6 billion in FY 2026 and \$20.8 billion in FY 2027, accounting for more than 16 percent of the City's total revenues in each year.

Historically, State aid has averaged roughly 16 percent of total City revenue since FY 2016, but dipped in FY 2021 and FY 2022, as one-time pandemic relief aid caused the federal funding share to grow and State budgetary choices made during the pandemic slowed the growth of State aid. For FY 2027, the City expects State aid contributions to rise slightly to 17 percent of total revenue, a tad higher than the recent historical average after it advocated for additional State support. However, threats to the State budget from the federal government, such as potential penalties related to the Supplemental Nutrition Assistance Program (SNAP) error rates could be passed down from the State to the City.

Despite these risks, State budget actions for State fiscal year (SFY) 2027 increased resources available to the City by \$4.6 billion on a net basis, including \$2.8 billion in new categorical aid. These are intended to expand State support for services, several of which now rely heavily on State funding, including child care vouchers, juvenile justice programming, and Universal Pre-K (UPK) and 2-K programs. The SFY 2027 Enacted Budget also provides the City with \$500 million in one-time unrestricted State aid.

FIGURE 1

State Categorical Funding as a Share of Total New York City Revenue



Note: Chart not adjusted for the Child Care Block Grant.

*City forecast as of FY 2027 Executive Budget.

Sources: NYC Office of Management and Budget; OSC analysis

State Funds by Funding Stream

State categorical aid to New York City is concentrated in a relatively small number of programs. In recent years, more than three-quarters of all State aid has flowed through 11 major funding streams. These include the Child Care Block Grant (CCBG), which the City classifies as federal funding, but is a mixture of state and federal funds that pass-through New York State. Together, these major grants total \$17.9 billion in the FY 2027 Adopted Budget, nearly 80 percent of anticipated State funding (see Figure 2).

FIGURE 2

Top State Categorical Funding Streams to New York City
FY 2027 Adopted Budget (in millions)

Grant Name	Program Area	FY 2026	FY 2027
Foundation Aid	Education	\$10,455	\$10,992
Building Aid – School Construction Authority	Education	1,672	1,790
Universal Pre-K (incl. Family Court, Full-Day) ¹	Education	1,095	1,329
Transportation Aid	Education	847	880
Family Services Safety Net	Social Services	717	623
State Child Welfare Services	Social Services	508	478
Charter School Aid ²	Education	343	347
At-Risk Youth	Youth	300	300
High-Cost Aid	Education	307	263
Medical Assistance Administration	Social Services	247	251
Total Top Awards²		\$16,490	\$17,252
Child Care Block Grant (CCBG) ³	Social Services	1,501	613
Adjusted Total, Top Awards		\$17,991	\$17,865
Total Adjusted State Funding including CCBG		\$22,171	\$21,537

Notes: Columns may not add due to rounding.

¹ Represents the combined total for three individual funding streams.

² The FY 2027 Adopted Budget includes \$234 million for Charter School Aid; OSC adjusted FY 2027 to reflect projected aid based on charter school enrollment within the City staying at least flat in that year.

³ The Child Care Block Grant is a combination of state funds and federal funds that are passed through the State. The City records this source as federal in the FY 2027 Executive Budget.

Sources: NYC Office of Management and Budget; OSC analysis

These streams of State aid provide support for important City services, particularly for education and social services. More specifically, State grants provide financial support for general school funding known as Foundation Aid (\$10.9 billion in FY 2027), accounting for more than half of all State categorical funding (see Figure 2). Other significant education funding streams include funding for the School Construction Authority (\$1.8 billion), Universal Pre-K (\$1.3 billion), Pupil Transportation Aid (\$880 million) and Charter School Aid (\$347 million), along with targeted supports such as High-Cost Aid (\$263 million). State grants also fund key social service programs that serve vulnerable New Yorkers such as Safety Net Assistance (\$623 million), which provides cash aid for adults and families who do not qualify for federal assistance and the

Medical Assistance Administration grant (\$251 million), which helps fund the administration of Medicaid.

Foundation Aid accounts for more than half of total State aid in the FY 2027 Adopted Budget. Five other education aids for more specific purposes (including Building Aid, the consolidation of three separate streams of Pre-Kindergarten funding, Pupil Transportation Aid, High-Cost Aid, and Charter School Tuition and Lease Aid) make up another \$4.6 billion. In sum, education aid for these six programs accounts for nearly three-quarters of all State aid in the FY 2027 Adopted Budget.

The City currently anticipates that FY 2027 Child Care Block Grant funding will be substantially lower than last year, however the Office of the State Comptroller (OSC) projects the City will draw on a larger amount of the available grant for eligible services through FY 2027. For example, planned spending of FY 2026 State CCBG aid was \$512 million, but grew to \$1.5 billion by year-end. Safety Net Assistance will likely see growth over the year as well if enrollments remain at or near current levels.

Over the past 10 years, while in most cases recurring State aid streams have increased year-over-year, growth differs by program area. Social service grants are based on usage and will fluctuate accordingly. State contributions to support asylum seekers also increased funding from fiscal years 2023 through 2025.

In recent years, City expenditures on certain programs supported in part with State aid, including general education, pupil transportation, special education, and charter schools, have outpaced the growth in State aid, with the City shouldering a larger share of the costs. In some cases, this is because the City has expanded programming beyond the guidelines established by the State, but in others it represents State formulas or regulations that may not be keeping up with rising local costs. For example, during the pandemic, the City used one-time emergency federal funding to create and expand recurring programs, especially in education. Then, when the federal pandemic aid funding these programs expired, the City used increases in State aid (particularly Foundation Aid) to replace that federal support.

Overall spending for certain programs has shifted away from the City toward school districts in the rest of the State. This is apparent in several of the education-related funding streams, including Foundation Aid (where the City's allocation was 40.2 percent of the total statewide allocation in FY 2027, down from a peak of 44 percent in FY 2020 and FY 2021), Pre-Kindergarten support, and special education aid. The City's share of statewide kindergarten through 12th grade enrollment has declined over this period and wealth ratios have also changed for the City over this period, impacting education aid formula funding.

The City conservatively assumes that most education aid will not rise in the following year, generally allowing for some upside for those aids. In particular, the City has consistently received more State funding for charter leases than it budgets for during adoption as spending is accrued. OSC adjusts the anticipated charter lease aid and supplemental charter tuition to reflect an increase to aid over the course of the fiscal year to match the aid received in the prior year.

Uses by Agency

The City agencies most heavily reliant on State funding include the Department of Education (DOE) and social service and health agencies, including the Administration for Child Services (ACS) and the Department of Health and Mental Hygiene. The State funding allocation to these agencies alone will total \$19 billion in FY 2027, accounting for nearly 90 percent of the total State aid to the City. DOE and the Administration for Children's Services (ACS) rely heavily on State funds, with both expecting State aid to cover approximately 40 percent of agency operating expenditures in FY 2027. This dependence underscores the potential risks to City services should State or federal aid diminish, especially for programs serving vulnerable communities, including children, low-income families and individuals requiring specialized support. Several New York City programs heavily rely on support from the State and Federal government (see Figure 3, next page).

FIGURE 3

State Categorical Funding Uses as Share of Total Spending by Program Area FY 2027 Adopted Budget (in millions)

Agency	FY 2026 Total Spending	FY 2026 State Spending	FY 2026 State Share	FY 2027 Total Spending	FY 2027 State Spending	FY 2027 State Share
Education						
Department of Education*	\$37,710	\$14,514	39%	\$38,604	\$15,356	40%
Subtotal	\$37,710	\$14,514	39%	\$38,604	\$15,356	40%
Social Services						
Social Services	14,686	1,227	8%	14,989	1,144	8%
Children's Services*	4,431	2,388	54%	3,524	1,471	42%
Homeless Services	4,480	164	4%	4,240	163	4%
Youth & Community Development	1,526	22	2%	1,801	18	1%
Aging	610	45	7%	636	44	7%
Subtotal	\$25,733	\$3,846	15%	25,190	2,840	11%
Health						
Health & Mental Hygiene	2,840	800	28%	2,770	737	27%
Health & Hospitals Corp.	1,964	1	0%	1,745	1	0%
Subtotal	\$4,804	\$801	17%	\$4,515	\$738	16%
Higher Education						
City University of New York	1,644	317	19%	1,643	311	19%
Subtotal	\$1,644	\$317	19%	\$1,643	\$311	19%
All Other						
Department of Transportation	1,584	163	10%	1,637	167	10%
Public Safety and Judicial	2,143	416	19%	1,878	123	7%
General Government	5,576	140	3%	5,368	102	2%
Uniformed Agencies	13,493	73	1%	12,674	4	0%
Housing	2,244	5	0%	2,077	2	0%
Parks & Cultural	1,024	4	0%	1,033	1	0%
Environmental Protection	1,912	100	5%	1,833	0	0%
Citywide Obligations	29,113	1,792	6%	31,038	1,890	6%
Libraries	540	0	0%	538	0	0%
Citywide Subtotal	\$127,520	\$22,171	17%	\$128,026	\$21,533	17%
Less: Intra-City	(2,419)			(2,184)		
Citywide Total	\$125,101	\$22,171	18%	\$125,842	\$21,533	17%

Notes: Columns may not add due to rounding.

* State Spending for the Department of Education and Children's Services is adjusted to include CCBG, which is a combination of state funds and federal funds that are passed through the State. The City records this source as federal in the FY 2027 Adopted Budget. State spending for the Department of Education is also adjusted to assume that Charter School Tuition & Lease Aid for FY 2027 will equal FY 2026 levels.

Sources: NYC Office of Management and Budget; OSC analysis