

New York City
Independent
Budget Office



Preliminary Budget Fiscal Year 2026

The Independent Budget Office's Estimates for City Expenditures for The January 2025 Financial Plan

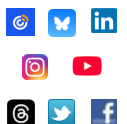


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As part of the Independent Budget Office’s (IBO) charter-mandated analysis of the City’s Financial Plans, IBO independently forecasts expenditures in current and future fiscal years. (All years refer to City fiscal years.)

IBO’s Methodology for Forecasting Expenditures

For the current year, IBO assesses whether spending trends in particular areas align with budgeted amounts. In future fiscal years, IBO typically compares the budget against historical spending trends or whether programs or policy changes have been fully funded. It is common practice for the City administration to under-budget future years and add funds as needs arise. As a result, IBO typically finds net savings in expenditures in the current year and net increases needed to cover future expenses. IBO also conducts independent [forecasts of the local economy](#) and produces revenue projections. When combining the expense and revenue sides, IBO publishes [estimates of the City’s surplus or deficit](#) for all the years of the financial plan.

IBO recognizes that the government landscape at all levels—federal, state, and local—is rapidly changing and has implications for the City’s budget. At the federal level, efforts by the Trump Administration have begun to substantially cut or eliminate existing federal agencies and programs. The Trump Administration seeks to cut many programs, including those based on Congressional appropriations. While IBO’s expenditure projections do not incorporate potential cuts to federal aid, this report provides information about federal funding in the City budget that is at risk.

In this report, IBO articulates assumptions that support estimates in various agencies and programmatic areas. While there is substantial risk to the New York City budget given the recent rhetoric and revocation of legally appropriated federal funds, IBO cannot forecast exactly how, when, or where such impacts could occur.

Findings

IBO estimates savings of \$985 million in City funds in 2025 and additional annual expenditures in 2026 through 2029 ranging from \$2.4 billion to \$3.2 billion. The largest areas of savings in 2025 are in two areas. First, in citywide and pedagogical staffing reflecting vacant positions. Second, in social services and health, largely for shelters for asylum seekers and for non-asylum seeker unhoused adults. Figure 1 shows the amounts for each IBO-defined category of spending.

Three areas account for the largest areas where IBO projects the need for increased spending in future years, over and above the Administration’s projections:

Figure 1 IBO Estimated Adjustments to City Funds for the Preliminary Budget for Fiscal Year 2026 <i>Dollars in Millions</i>					
	2025	2026	2027	2028	2029
Asylum Seekers	(\$319.4)	(\$926.9)	\$133.1	\$-	\$-
Citywide Staffing	(638.1)	(177.1)	(183.6)	(190.4)	(197.6)
Education	(320.1)	830.4	1,108.1	1,366.8	1,366.8
Government Operations	(26.0)	272.1	286.1	278.4	271.4
Housing, Environment & Infrastructure	(58.6)	\$165.9	152.5	152.1	153.1
Public Safety & Criminal Legal	844.2	843.6	670.8	557.7	379.4
Social Services & Health	(467.4)	1,415.1	1,033.4	\$773.6	773.6
Total City Funded Adjustments	(\$985.3)	\$2,423.1	3,200.5	\$2,938.2	\$2,746.8

SOURCE: NYC Independent Budget Office

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- Social services funding for rental assistance (housing vouchers provided through the City Fighting Homelessness and Eviction Prevention Supplement program) and cash assistance for low-income New Yorkers.
- Education costs related to mandates (New York State’s class size reductions, impartial hearings for special education, and tuition or charter school students). IBO projects that additional funding for programs previously funded by COVID-19 stimulus funds will need to be added.
- Uniformed personnel costs for police, correction, fire, and sanitation largely due to overtime costs.

Federal Aid

In 2025, federal funds account for \$9.7 billion (8%) of the City’s \$116.8 billion budget. The federal share of each agency’s 2025 budget ranges from less than 1% in many agencies up to 58% for Housing Preservation & Development (HPD). For HPD alone, federal support amounts to \$1.2 billion for rental housing vouchers, housing inspections, and financing the development of affordable housing.

Other agencies that depend on large amounts of federal funding include:

- Department of Education (\$2.3 billion, 7% of total budget) to fund:
 - programs mandated by the federal Every Student Succeeds Act, including funds for students at risk of failing, low-income students, migrant and immigrant students, English language learners, as well as for teaching improvement initiatives;
 - food assistance, including the federal school breakfast, lunch and summer feeding programs;
 - special education and related services, as required under the federal Individuals with Disabilities Education Act;
 - health and medical care through Medicaid;
 - additional grants for magnet schools, vocational education, and more.
- Department of Social Services (\$1.9 billion, 14% of total budget) to fund several areas, including:
 - [Home Energy Assistance Program \(HEAP\)](#): the federal government funds this \$43 million program, which helps low-income homeowners and renters heat and cool their homes.
 - [Child Support Enforcement](#): the federal government funds 62% of \$62 million dedicated to locating noncustodial parents, establishing parentage, and collecting and distributing payments.
 - [Supplemental Nutrition Assistance Program \(SNAP\)](#): the federal government funds approximately 50% of the \$76 million budget that provides food assistance for nearly 1.8 million low-income New Yorkers including families, people who are aging, and people with disabilities. The program helps families and individuals supplement the cost of their diet with nutritious foods.
- Administration for Children’s Services (\$1.4 billion, 43% of total budget) to fund several areas, including:
 - [Child care](#): federal funding supports 80% of the \$880 million budget, which subsidizes free or low-cost child care for children in qualifying families.
 - [Adoption support services](#): federal funding supports 45% of the \$227 million budget, which provides monthly payments for the care, maintenance, and medical needs of adopted children with: disabilities, special needs, or who are otherwise difficult to place.

Figure 2 provides the breakdown of federal funding for agencies that receive substantial amounts consistently each year (either by dollar amount or share of the total agency budget). Together, they account for \$8.9 billion of the City’s total of \$9.7 billion in anticipated federal funding for 2025. IBO notes that federal funding is rarely fully budgeted outside of the current fiscal year. City administrations usually increase the level of funding in future years as awards or appropriations are announced, given uncertainties around federal budgeting in general—and particularly so in current times.

Figure 2
Dollar and Share of Federal Funding by Agency, 2025 and 2026 Budget
Dollars in Thousands

Agency	Federal Share of Agency Budget		Federal Funding	
	2025	2026	2025	2026
Housing Preservation & Development	58.1%	51.4%	\$1,184,540	\$868,176
Admin for Children Services	42.6%	39.1%	\$1,430,375	\$1,105,995
Dept of Emergency Management	34.5%	11.2%	\$46,648	\$9,961
Department of City Planning	29.4%	33.4%	\$17,021	\$15,630
Dept Health Mental Hygiene	23.3%	13.3%	\$646,852	\$283,370
Dept Small Business Services	17.7%	24.0%	\$52,795	\$43,639
Department for the Aging	16.4%	17.8%	\$90,060	\$75,904
Dept of Homeless Services	15.5%	19.0%	\$628,063	\$679,592
Department of Social Services	14.4%	13.3%	\$1,907,644	\$1,527,622
Department of Transportation	8.6%	5.8%	\$127,615	\$84,442
Youth Community Development	7.8%	8.6%	\$110,421	\$105,039
Department of Education	6.9%	6.2%	\$2,305,281	\$2,092,979
Fire Department	3.8%	2.2%	\$103,275	\$57,980
Police Department	3.7%	0.3%	\$236,247	\$21,386
Health and Hospitals Corp	2.2%	0.1%	\$60,683	\$1,380

SOURCE: New York City Office of Management and Budget

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Asylum Seekers

IBO has assessed and estimated the City’s spending to provide services to new arrivals (also called asylum seekers) since April 2022. The Preliminary Budget includes a total of \$9.4 billion for new arrivals from 2025 through 2028. This is a reduction of \$2.8 billion from the November Plan, and \$3.2 billion less than the Adopted Budget. IBO projects costs for 2025 and 2026. As new arrivals have decreased and the City has closed several shelters that were set up outside of the traditional Department of Homeless Services system, IBO assumes even lower costs for service provision over time compared with the Administration’s revised estimates.

Additionally, the Administration’s estimated costs include \$1 billion and \$350 million in State funding in 2027 and 2028, respectively. Because those funds are speculative at this juncture, IBO reduces total estimated costs for those years to IBO’s 2026 budgeted level. As a result, IBO assumed an additional \$133.1 million would be required in 2027 only. IBO’s total estimated costs for new arrivals from 2025 through 2028 is \$6.9 billion, about 27% less than the Administration’s current estimates.

Citywide Staffing

IBO estimates the costs of staffing across all City agencies using payroll records for salaries and wages and historical spending on various healthcare costs. Within this section, IBO addresses costs for all categories of employees except uniform and pedagogical employees, with those costs being addressed in their respective sections (see Education, Housing, Environment, and Infrastructure, and Public Safety & Criminal Legal System).

In 2025, IBO estimates that the City is likely to achieve nearly \$640 million in staffing savings across all employees except for those noted above. This amount factors in year-to-date spending and vacant positions

that affect citywide costs on health insurance and benefits. For salaries and wages, IBO estimates the average salary paid for each payroll in this fiscal year through January 31st and assumes the same average will be paid in the remaining number of payrolls in the fiscal year. Additionally, IBO estimates that vacant positions will net the City \$177 million in fringe benefit savings in 2026, which will grow to \$198 million in savings by 2029.

Education

IBO re-estimates several critical funding categories within the Department of Education (DOE) and the City’s contribution to the City University system (CUNY) for community colleges (see Figure 3).

First, IBO estimates staffing cost projections as described above. Spending on pedagogical positions in both DOE and CUNY do not follow the usual pay cycle; it is much lower in the months of July and August, for example. Thus, IBO adjusts its method of calculating the year-to-date average by excluding those first two months of the fiscal year and then applying that average to the remaining amount to be paid in the year. Under this methodology, pedagogical spending will be \$579 million lower than the Administration’s estimates in 2025, across both DOE and CUNY. IBO does not include this as a future year savings, as staffing levels may change between this year and next.

Separately, IBO forecasts staffing costs based on stated policy decisions and legal mandates. IBO estimates the City will need additional funds to comply with a State law that limits NYC’s class size by grade level. IBO [estimates](#) compliance will require an additional \$53 million in 2026, \$303 million in 2027, and \$546 million in 2028 and annually thereafter.

Two other legal mandates that have yet to be fully funded by the Administration relate to charter schools and special education.

State law requires local school districts to fund charter school general education costs at tuition rates set by the State. To estimate those costs, IBO considers historical trends for charter school enrollment, as well as the expected opening of 14 charters. IBO estimates charter school general education tuition costs will exceed DOE projections by \$131 million in 2025, \$161 million in 2026, \$147 million in 2027, and \$164 million in 2028.

IBO estimates DOE will require additional funds in the current year, and beyond, for costs related to impartial hearing orders, which cover special education services outside of the public school system. These costs provide funds for students with disabilities, largely through tuition reimbursement for nonpublic schools (commonly known as “Carter Cases”) and direct educational services. IBO anticipates current and future costs will remain at the most recent level of spending, which in 2024 was approximately \$1.2 billion. Because the Administration is currently estimating the spending levels for this year and future years to fall below the 2024 level, IBO anticipates this area of spending will require an additional \$113 million in 2025, \$258 million in 2026, and \$188 million in 2027 and in 2028, respectively.

Figure 3 IBO Estimated Adjustments to City Funds for Education <i>Dollars in Millions</i>					
Agency	2025	2026	2027	2028	2029
City University of New York	(\$7.6)	\$-	\$-	\$-	\$-
Department of Education	(312.5)	830.4	1,108.1	1,366.8	1,366.8
Total Education	(\$369.1)	\$781.4	\$1,059.1	\$1,317.9	\$1,317.9
SOURCE: NYC Independent Budget Office					

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A final area where IBO forecasts a need for greater funding is in programs that were previously funded by COVID-19 federal stimulus funds (see Figure 4). All federal stimulus funds expired in September 2024 (fiscal year 2025) and as a result, the Administration must either allocate new funds through City or State sources or reduce spending for those programs. In prior financial plans, the City baselined (see sidebar) some programs with \$316 million in additional State funds and included \$455 million in City funds to other programs for 2025. In the recent Preliminary Budget, the City allocated \$111 million in City funds for 2026 to Summer Rising and Learning to Work, two programs that previously received federal stimulus funds. Consequently, IBO anticipates that programs without baselined funding will require an additional \$344 million in 2026 and \$455 million in 2027, 2028, and 2029, respectively

Figure 4
Additional City Funds Needed for Education Programs Previously Funded with COVID-19 Stimulus Funds
Dollars in Millions

Program	2026	Annually, 2027-2029
3-K	\$92	\$92
School Technology Resources	80	80
Summer Rising	-	80
Contracted Nursing	65	65
Arts Funding	41	41
Learning to Work	-	31
All Other Programs	66	66
Total	\$344	\$455

SOURCE: NYC Independent Budget Office
New York City Independent Budget Office

Government Operations

In recent mandated reports, IBO has built out its analyses of more “general government” or “government operations” agencies (see Figure 5). This category includes agencies like the Department of Citywide Administrative Services (DCAS), the Office of Technology and Innovation (OTI), the Campaign Finance Board (CFB), and the Board of Elections (BOE). The City’s centralized debt service payment costs are also included.

IBO’s forecasts for these agencies are generally based on historical spending levels, but in the case of the agencies administering elections, IBO also incorporates variation based on what type of election cycle the City is entering. In 2025, IBO estimates a need for \$37 million in additional funding for OTI based on current spending trends. In 2026 through 2029, IBO estimates roughly \$280 million annually needed across these agencies. The increase is largely driven by OTI, which historically has been underfunded by about \$150 to \$160 million.

Additionally, IBO is forecasting \$53 million and \$12 million savings on debt service in 2025 and 2026, respectively. This is based on the City’s variable rate debt, which the Administration assumed will be paid

What does it mean to adjust baseline funding?

When making an adjustment in the budget, the administration can choose to modify a program one year at a time or baseline the change by modifying the level of funding across every year of the entire financial plan. Effectively the City is setting a floor for the funding level.

As a program continues, that level of funding may no longer be sufficient, leading to a fiscal shortfall. The administration may choose not to change the baseline funding, instead opting to make an adjustment a year at a time. In leaving questions of a program’s full funding open, the administration may be trying to use it as a negotiating chip with Council or maintaining a level of flexibility to address the gap in a later year when program costs have become clearer.

Many of IBO’s estimates for the future year focus on changing the funding for various programs and agencies. This includes uniformed personnel costs, the City’s largest housing voucher program (CityFHEPS), and education costs for impartial hearings (also known as “Carter Cases”).

Figure 5
IBO Estimated Adjustments to City Funds for Government Operations
Dollars in Millions

Agency	2025	2026	2027	2028	2029
Board of Election	\$-	\$55.0	\$55.0	\$55.0	\$55.0
Campaign Finance Board	-	30.0	17.0	7.0	-
Department of Citywide Administrative Services	(10.8)	44.0	53.0	55.3	55.3
Debt Service	(52.6)	\$(11.7)	-	-	-
Office of Technology and Innovation	37.4	154.9	161.1	161.1	161.1
Total Government Operations	\$(26.0)	\$272.1	\$286.1	\$278.4	\$271.4

SOURCE: NYC Independent Budget Office

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out at 4.25%. IBO updates this assumption to reflect current lower interest rates.

Housing, Environment, and Infrastructure

IBO projects savings of \$59 million in 2025 across several agencies related to Housing, Environment, and Infrastructure, as shown in Figure 6. These agencies include Small Business Services (SBS), Department of Environmental Protection (DEP), Housing Preservation and Development (HPD), Department of Buildings (DOB), Department of Sanitation (DSNY), and the Department of Transportation (DOT). These agencies are on track to spend less than budgeted in their 2025 non-staffing budgets across a wide range of programs.

For staffing costs, IBO forecasts DSNY will need an increase of \$17 million to cover uniformed overtime costs, offset by \$4 million in savings across other areas of the budget.

In 2026, IBO forecasts shortfalls across these agencies totaling \$166 million, driven largely by \$90 million in gaps in DSNY related to staffing and waste export contracts. IBO also forecasts gaps of approximately \$30 million each in DEP, SBS, and HPD, offset by savings of \$36 million in DOT. These estimates are based on historical spending and consider adjustments frequently made by the City later in the fiscal year.

Public Safety & Criminal Legal System

IBO projects substantial shortfalls in the City's funding of its three uniformed public safety agencies (see Figure 7): the Police Department (NYPD), the Fire Department (FDNY), and the Department of Corrections (DOC). These shortfalls are driven by the City's longstanding failure to address overtime for uniformed personnel. Between these three agencies, the City is on track to spend more than \$840 million in excess of the respective personnel budgets in 2025. NYPD accounts for the majority (59%), with additional funds for DOC (25%), FDNY (14%). IBO considers these budget gaps to be structural and assumes similar total costs

Figure 6
IBO Estimated Adjustments to City Funds for Housing, Environment, and Infrastructure
Dollars in Millions

Agency	2025	2026	2027	2028	2029
Department of Buildings	\$(1.2)	\$2.3	\$4.3	\$4.3	\$4.3
Department of Sanitation	13.0	90.9	44.2	37.1	37.1
Housing Preservation & Development	(2.1)	27.2	39.2	36.4	36.4
Small Business Services	(12.5)	35.8	46.9	46.6	46.6
Total Housing, Environment & Infrastructure	\$(2.7)	\$156.1	\$134.6	\$24.4	\$124.4

SOURCE: NYC Independent Budget Office

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Figure 7
IBO Estimated Adjustments to City Funds for Public Safety & Criminal Legal System
Dollars in Millions

Agency	2025	2026	2027	2028	2029
Department of Correction	\$213.3	\$166.7	\$117.8	\$(4.1)	\$(4.1)
Fire Department of New York	120.8	154.8	171.0	178.2	-
New York City Emergency Management	3.7	4.0	4.0	4.0	4.0
New York Police Department	506.3	518.0	378.0	379.5	379.5
Total Public Safety & Criminal Legal System	\$844.2	\$843.6	\$670.8	\$557.7	\$379.4

SOURCE: NYC Independent Budget Office

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in the years to come. IBO estimates that the need will peak in 2026 at \$887 million over the existing budget, and fall to a gap of \$526 million each year in 2027 and 2028. The decrease in additional need is based on increases in budgeted amounts. IBO uses the same methodology as for other citywide staffing costs, applying year-to-date average payrolls over the remaining pay periods of the year.

Outside of the three larger agencies, IBO forecasts smaller shortfalls in New York City Emergency Management’s (NYCEM) City-funded budget. However, a substantial portion of NYCEM’s budget is typically funded by federal dollars (see Federal Aid section). While IBO has not made any adjustments in this report, should federal funding be discontinued or scaled back, NYCEM’s ability to coordinate emergency responses could be significantly curtailed in the coming years.

Social Services & Health

The City faces substantial shortfalls in the budgets of the agencies providing social services to vulnerable New Yorkers (see Figure 8): the Human Resources Administration (HRA), the Department of Homeless Services (DHS), the Department for the Aging (DFTA), Administration for Children’s Services (ACS), and the Department of Youth and Community Development (DYCD).

The largest budget gaps in this area are in HRA’s budget and related to the City’s Cash Assistance (CA) and Rental Assistance (CityFHEPS) programs.¹ Neither area is generally baselined, and administrations have historically funded shortfalls one year at a time, leaving budget gaps in the years to come. The number of cases in the CA program has already increased 33% from 2022 to 2024, with more households timing out of federal cash assistance programs. As a result, more recipients have to be supported by City-funded CA for longer periods of time. IBO estimates that the size of these gaps will be \$920 million in 2026, but will shrink to \$106 million in 2028, as funding in the current budget increases over the years. In the CityFHEPS program, gaps in future years total \$486 million annually to keep the program funded at existing levels. This does not include any costs associated with [expanding](#) the program.

In DHS operations for unhoused New Yorkers (not including spending related to asylum seekers), IBO forecasts a budget surplus in 2025, followed by shortfalls in 2026 through 2029. For the current year, IBO projects \$226 million in savings, driven largely by the Administration having overestimated costs in shelters for single adults. However, IBO estimates that the Administration has underfunded the agency across all shelter types by \$281 million in 2026, and roughly \$250 million annually in 2027 and beyond. This is based on IBO analysis of data from the Mayor’s Management Report and historical spending and shelter population counts.

IBO also forecasts smaller needs and realignments for DFTA, DYCD and the Department of Health and Mental Hygiene (DOHMH) for non-staffing spending. Such spending includes spending on goods or

Figure 8 IBO Estimated Adjustments to City Funds for Social Services & Health <i>Dollars in Millions</i>					
Agency	2025	2026	2027	2028	2029
Administration for Children’s Services	\$7.4	\$-	\$-	\$-	\$-
Department for the Aging	(31.9)	65.8	59.7	59.6	59.6
Department of Homeless Services	(225.8)	281.5	253.1	249.4	249.4
Department of Health and Mental Hygiene	(153.3)	114.6	117.4	\$120.8	120.8
Department of Youth and Community Development	(64.4)	-	-	-	-
Human Resources Administration	0.6	953.3	603.3	343.8	343.8
Total Social Services & Health	(\$467.4)	\$1,415.1	\$1,033.4	\$773.6	\$773.6
SOURCE: NYC Independent Budget Office <i>New York City Independent Budget Office</i>					

contracted services, which account for large portions of these agencies’ budgets. At rates of current spending, IBO projects that there is approximately \$250 million in savings in 2025 resulting from slower than anticipated non-staffing spending. In each year for 2026 through 2029, IBO forecasts combined annual gaps of approximately \$180 million between DFTA and DOHMH (the DYCD non-staffing budget appears to be sufficiently budgeted in these years). These estimates are based on historical spending trends against the current budget.



Endnotes

¹ For more information, see recent IBO reports on: [staffing at HRA for benefits processing](#) and [understanding the CityFHEPS program](#).