



How Federal Budget Changes Could Reshape New York City Department of Education

IBO's Federal Changes, Local Impacts series is a collection of short reports that examine areas of New York City's budget, economy, and operations that are particularly reliant on federal funding, subject to notable federal policy changes, or both. These reports are intended to inform public discussion by objectively highlighting how federal decisions may affect the City. IBO encourages readers to visit its [website](#) to explore additional topics covered in this series.

Since the One Big Beautiful Bill Act/H.R. 1 was enacted in July 2025, the Trump administration has indicated that, beginning in September, it will refer to the measure as the "Working Families Tax Cut Act." In this report, IBO continues to use the bill's original name.

Introduction

While public education is generally understood as a state government responsibility, federal laws significantly shape the K-12 education landscape. Some federal laws mandate the provision of certain services, such as special education within the Individuals with Disabilities Education Act (IDEA). Federal civil rights laws, like Section 504 of the Rehabilitation Act of 1974 or Title IX of the Education Amendments of 1972, prohibit discrimination based on disability, race, or sex. Other federal laws include funding and mandated reporting or protections afforded to certain student groups. The Education for Homeless Children and Youth Program, authorized by the McKinney-Vento Homeless Assistance Act, provides protections to students experiencing homelessness and guides the distribution of federal funding to local school districts. The Every Student Succeeds Act (ESSA) creates federal requirements for academic standards, outlines expectations for states to report on student performance, and details formula-based and competitive grants provided to local districts through state educational agencies. The National School Lunch Act provides federal funding for free lunches and breakfasts for low-income students.

The NYC Department of Education (DOE) oversees the largest public school system in the country, New York City Public Schools (NYCPS), and provides support to charter and non-public students within its boundaries. In 2024-2025, NYCPS [served](#) 906,200 traditional public school students aged 3 to 21 (in schools operated by the DOE) and provided support

to 148,000 charter school students. Additionally, the DOE provides funds for transportation, school security, and special education services to eligible non-public students, including students who have filed due process complaints to seek tuition reimbursement at private schools (also known as Carter or Connor cases). As of March 2025, the DOE employed 146,600 staff, including 120,600 pedagogical positions (which includes teachers, administrators, and some district and central office staff) and 26,000 non-pedagogical positions (DOE [Financial Status Report](#)).

The DOE provides a broad range of supports to NYC children, including education, health care, food assistance, and transportation. The City funds those supports with City, State, and Federal revenue. Because DOE can receive federal reimbursement on a lagged timeline, IBO reports on fiscal year 2024. In 2024, the agency's total spending neared \$40.0 billion, including \$33.2 billion on operations, \$3.4 billion on debt service, \$3.1 billion on pension contributions, and \$200 million on additional health care costs (see IBO's [Education Spending Since 1990](#) for further details). Of the \$40.0 billion in DOE expenditures for 2024, 52% was paid with City funds, 35% with State funds, 12% with federal funds, and 1% with other funding sources. The large share of federal funds reflected an increase in federal support during the pandemic (see [sidebar](#) for additional detail on those funds). Prior to 2021, that share remained steady at around 6%, averaging \$2.3 billion annually, for the previous five City fiscal years.

DOE's 2025 Operating Budget

DOE's operating budget (which excludes debt service and pension contributions) for fiscal year 2025 allocated roughly \$34 billion within five broad categories defined in DOE fiscal reporting: funds for schools (which includes teacher and administrator salaries, funds for summer school, and more), centrally managed special education, support services and central office, fringe benefits for DOE employees, and payments for non-public schools. Funds for schools accounted for over half of the DOE operating budget. Additional funds categorized as centrally managed or support services may also fund specific school programs.

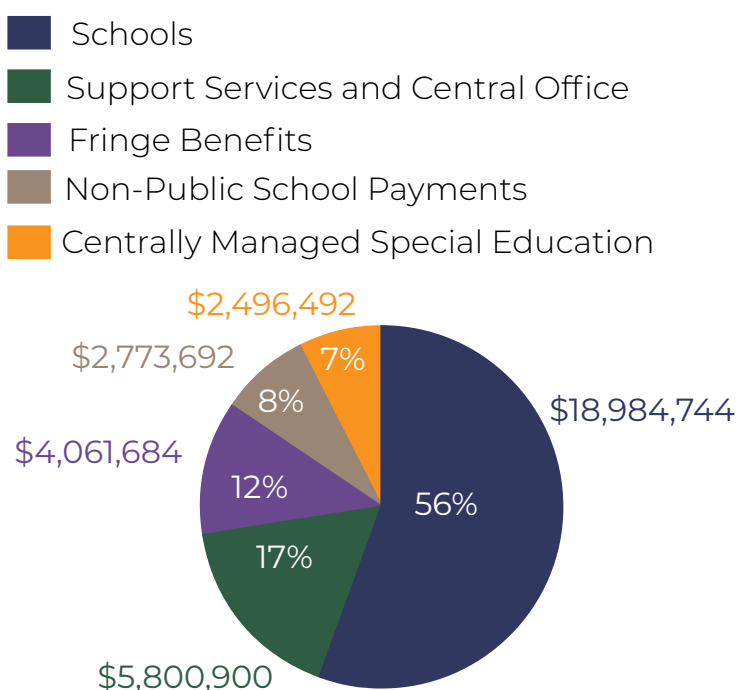
Federal Revenue for NYC Education

As of June, the 2025 DOE operating budget reflected \$2.2 billion in total federal funding, amounting

FIGURE 1

DOE 2025 Operating Budget

Dollars in Thousands



SOURCES: Office of Management and Budget, Department of Education FY2026 Adopted Plan Briefing Package
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to roughly 6% of the DOE's total operating budget of \$34 billion (which excludes pension contributions, debt service, and additional health care contributions). Several federal agencies administered these funds, with the largest share of funding administered by the U.S. Department of Education (U.S. ED)—\$1.4 billion, or 56% of total federal funds. U.S. ED administers Title I funds to support lower-income students, Title II funds to support professional development, Title III funds

to support English language learners and immigrant students, and Title IV funds to provide student support and academic enrichment. U.S. ED also administered funds under IDEA to support special education services, and other federal grant programs for community learning centers, vocational education, magnet schools, and support for students experiencing homelessness. The U.S. Department of Agriculture (USDA) administered the second largest share of federal funds within the DOE budget, or 24% of total federal funds at \$595 million including funds for the school lunch and school breakfast programs, summer meals, and meals provided outside of school hours.

The U.S. Department of Health and Human Services (HHS) administered reimbursements for Medicaid-eligible expenses, the Child Care and Development Block Grant, funds to prevent drug abuse, and federal funds for the DOE's Head Start contract (in total, HHS accounts for 12% of DOE's 2025 federal revenue). Head Start programs include those that serve children above the age of 3 (Head Start Preschool) and programs that serve pregnant people and children under the age of 3 (Early Head Start). These programs provide educational services, health services, and other supports to low-income families. Community-based organizations and nonprofits operate all Head Start programs, either through direct federal grant awards, or as vendors selected by the DOE, which in prior years received a federal super grant for a portion of the City's Head Start programs.

The U.S. Treasury administered \$212 million in federal stimulus funds under the American Rescue Plan Act (ARPA), and the U.S. Department of Housing and Urban Development (HUD) administered roughly \$3 million in federal funds for remediation following code violations.

For many of these programs, the federal agency distributed funds to state education departments, which then allocated the funds to local school districts following federal statutory guidelines.

FIGURE 2

Budgeted Federal Funds for Education by Federal Agency
Dollars in Thousands

Administering Agency	2025	Share of Total
U.S. Department of Education	\$1,419,486	55.9%
U.S. Department of Agriculture	595,278	23.5%
U.S. Department of Health and Human Services	308,418	12.2%
U.S. Treasury	212,167	8.4%
U.S. Department of Housing and Urban Development	2,963	0.1%
TOTAL FEDERAL REVENUE	\$2,538,312	100%

SOURCE: Office of Management and Budget, Department of Education FY2026 Adopted Plan Briefing Package

NOTE: In 2025, NYC received \$212 million in time-limited federal stimulus funds, represented in the table above under U.S. Treasury.

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FIGURE 3

Ten Largest Federal Grants

Dollars in Thousands

Administering Agency	Description	2025	Share of Total
U.S. Department of Education	ESSA Title I	\$820,101	32%
U.S. Department of Agriculture	Federal School Lunch	423,000	17%
U.S. Department of Education	IDEA	344,204	14%
U.S. Treasury	ARPA Fiscal Recovery Fund	\$212,167	8%
U.S. Department of Health and Human Services	Child Care & Development Block Grant	\$140,000	6%
U.S. Department of Agriculture	School Breakfast Program	115,000	5%
U.S. Department of Health and Human Services	Medicaid	81,000	3%
U.S. Department of Health and Human Services	Head Start	70,727	3%
U.S. Department of Education	Title IV Student Support	63,000	2%
U.S. Department of Education	ESSA Title II Professional Development	58,500	2%
All Other Federal Grants		210,613	8%
TOTAL FEDERAL REVENUE		\$2,538,312	100%

SOURCE: Office of Management and Budget, Department of Education FY2026 Adopted Plan Briefing Package

NOTE: Expected 2025 revenue is as of the current modified budget published in June 2025. Year-end actual revenue may reflect adjustments. In 2025, NYC received \$212 million in time-limited federal stimulus funds, represented in the table above as "ARPA Fiscal Recovery Fund."

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In 2025, the largest federal grants within the DOE budget included Title I (\$820 million), the school lunch program (\$423 million), and IDEA for special education services (\$344 million). These three grants typically comprise the largest share of federal funding for education in NYC.

In 2025, the NYC budget included an additional \$355 million outside of the DOE budget that supported education. This included: ARPA federal stimulus funds which the City allocated for education (\$212 million), the Child Care & Development Block Grant (\$140 million), and federal funding for code violations (\$2.9 million).

For a detailed list of all federal revenue, see the [appendix](#).

State Revenue for NYC Education

New York State also received federal revenue to support education spending. As of the [mid-year update](#) to the State's 2025 financial plan, New York State projected \$4.5 billion in federal disbursements for education and an additional \$4.4 billion in education-related pandemic assistance. Much of the state's federal education revenue is structured as a direct pass-through to localities. For example, New York State receives federal grants

Short-Term Federal Stimulus Funds Through September 2024

During the COVID-19 pandemic, NYC received federal stimulus funds through three federal laws: the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) in 2020, and the American Rescue Plan Act (ARPA) in 2021. All three laws included direct funding for education, while CARES and ARPA additionally allocated funds to NYC as a municipality. NYC chose to designate some of those municipal allocations towards education. As of 2024, federal aid to the DOE included \$7.8 billion through the Education Stabilization Fund and the Emergency Connectivity Fund. Each law included an expiration date for the use of allocated funds, with the final tranche of ARPA funding expiring by September 2024. As a result, DOE's fiscal year 2025 budget (which began July 2024) includes just the final allocation of federal stimulus: \$212 million.

DOE used these funds to support a range of programs, including the expansion of its 3-K program, custodial services, mental health supports, special education services, and more. Since that expiration, the City has relied upon City and State funds to baseline some of the programs that are expected to continue, although some programs have received funding only one year at a time. See IBO's [analysis of the May 2025 Executive Budget](#) for IBO's most recent tracking of these programs.

for Title I and IDEA and distributes those funds to local school districts following federal statutory guidelines.

For 2025, New York State projected \$35.9 billion in school aid allocated statewide ([New York State Division of Budget](#)). The State distributed that aid to school districts through grants and formula aid, the largest of which is Foundation Aid. For the 2024-2025 school year, the [State Aid Handbook](#) estimated a total of \$24.9 billion in Foundation Aid statewide, of which NYC would receive \$9.9 billion, or 25% of the DOE budget that year (see IBO's [report](#) on the estimated impact of recent proposals to change the Foundation Aid formula). Although DOE must set-aside some of its Foundation Aid revenue for certain purposes such as class-size reduction or programs for English language learners, DOE may use most of its Foundation Aid revenue flexibly to support general operating costs. New York State also provided other types of aid to school districts, including support for buildings, pupil transportation, educational technology, prekindergarten programs, and charter school facilities.

Proposed Changes and Implications

The One Big Beautiful Bill Act (OBBBA), signed by President Trump in July 2025, included substantial cuts to the federal Medicaid program (see IBO's [report](#) on NYC's public hospital system for additional details), as well as policy changes that will likely lead to large losses in revenue for New York State. In the next state legislative cycle expected to begin in January, New York State may be required to consider shifting its spending priorities to plug critical holes, with potential negative consequences for state education revenue to NYC, among other areas.

During the fall of 2025, the U.S. Congress is anticipated to vote on an appropriations bill that covers federal funding for education, labor, and health and human services. This bill is expected to address funds for the 2026-2027 school year, but could also include various rescissions, which could target funds previously approved for the current school year. President Trump has proposed reducing the U.S. Department of Education budget by 15% by eliminating certain funding streams, such as programs to support English language learners and migrant students, and by consolidating 18 other funding allocations into a single state formula grant. The President's proposal maintains existing funding levels for other funding allocations like Title I and special education (see [U.S. Education Department](#) for details). The Trump administration has expressed a preference for an expanded block grant that would allow states greater flexibility to spend according to their own priorities. However, such an approach may raise concerns that vulnerable student groups, such as [students experiencing homelessness](#), may not receive the same level of support as they did through a targeted funding source. If funds previously targeted for specific groups are converted to block grants, it is likely districts will instead prioritize funding for mandated services in the face of budget constraints. Finally, a transition to block grants may change the overall level of funding individual states receive, depending on any new statutory guidelines.

While the Senate [bill](#) largely maintains or increases funding for federal programs from their current levels, the House [proposal](#) includes reductions to Title I funds, and the elimination of some supports for English language learners.

NYC Head Start providers may experience additional impacts should the appropriations bill on education, labor, and health and human services include changes to total funding for Head Start. Both the Trump administration and the House have proposed maintaining Head Start at existing levels, while the Senate proposed a slight increase.

Recent Changes in September 2025

In September 2025, DOE reported that the federal Office of Head Start had declined to renew its Head Start grant. In late September, HHS issued DOE a short-term extension award of \$26.7 million, which will temporarily support existing Head Start sites under the DOE contract as HHS negotiates with other delegate agencies to receive new grant awards. IBO anticipates the City's next financial plan, due in November, will reflect this change in expected revenue. DOE stated the Office of Head Start has redistributed grant funds previously awarded to DOE to other providers within NYC. As HHS releases those grants, IBO will continue to monitor award amounts to track total federal funding for Head Start in NYC. In its application, DOE had requested to shift seats from Head Start to Early Head Start, following the expansion of the City's 3-K and pre-K programs. Because the DOE's previous Head Start contract ended last school year, the City had already allocated City funding to maintain existing Head Start programs through this school year. The DOE has not yet [confirmed](#) if it will continue to fund those programs in subsequent years.

Programs that contracted with DOE previously were generally smaller programs while larger programs have generally contracted directly with HHS. Based on the most recent Head Start program data for 2023-2024, while roughly 41% of Head Start programs contracted with DOE, they served a relatively small share of all Head Start enrollees in

NYC. Over 75% of Head Start students attended programs that contracted directly with the federal government. Potential impacts on those contracts remain unclear. In total, NYC received \$537 million in grants within federal fiscal year 2024 (for school year 2024-2025). As of September 30th, NYC grantees have been awarded \$520 million within federal fiscal year 2025 (for school year 2025-2026), a 3% reduction. However, given the federal government shutdown since September 30th, it is possible that additional grants were awarded but not yet posted [online](#).

Also in September 2025, U.S. ED's Office for Civil Rights (OCR) [denied](#) DOE's grant funding under the Magnet School Assistance Program, which provides federal support for magnet schools. OCR contends that DOE has violated Title IX based on the DOE's guidelines for supporting transgender and gender expansive students. In particular, OCR raised concerns about students' use of school bathrooms and locker rooms, as well as students' participation in athletic teams and overnight trips. OCR issued a list of proposed steps DOE take before OCR would reconsider its grant decision, including adopting U.S. ED's definitions of gender and issuing new guidance. After DOE's [response](#) asking for further clarification, an extension of 30 days to respond, and information on procedures for appeal, the Trump administration [gave](#) DOE one additional day. Because DOE failed to meet OCR's deadline to revise its guidelines, DOE stated they expect this funding will be lost. New York State Education Department (NYSED) has written to U.S. ED's OCR, arguing that OCR failed to follow proper procedures and does not have the authority to enforce this interpretation of Title IX. NYSED cited a federal ruling in Maine, in which a federal judge [issued](#) a temporary restraining order on the freezing of federal funds for an alleged violation of Title IX. NYSED has argued U.S. ED must reinstate the magnet school grant funding to NYC. At the close of fiscal year 2025, DOE reported \$16.1 million in federal revenue through this grant, which provided support to more than 20 schools (see Appendix for expected federal revenue as of June 2025).

Other federal actions will likely impact NYC schools and students, including:

- *Layoffs at the U.S. Department of Education:* a large [reduction](#) in federal agency staff will likely limit the agency's capacity to perform routine duties, such as disbursing funds, investigating civil rights complaints, administering Federal Student Aid for higher education institutions, and collecting and maintaining data within the department's Institute of Education Sciences.
- *Changes to eligibility for Medicaid and for the Supplemental Nutrition Assistance Program (SNAP):* OBBBA included changes to Medicaid and SNAP eligibility. For students who are no longer eligible for Medicaid, school-based health clinics will lose Medicaid reimbursement for special education and health services provided to those

FIGURE 4

2024 Head Start Programs by Grant Recipient

	Programs	Share	Students	Share
DOE Grantees	62	41%	4,767	23%
Direct Grantees	89	59%	15,647	77%
Total	151	100%	20,414	100%

SOURCE: U.S. Department of Health and Human Services, Head Start Program Information Report

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students (see prior U.S. ED guidance [here](#)). NYC participates in the federally supported universal breakfast and lunch program, which awards free school meals to all students if a certain threshold of students within the district qualify; one way by which students qualify is eligibility for SNAP. NYC will likely continue to reach this threshold even after eligibility changes take effect; still, NYC schools may need to provide additional supports to students whose access to food at home has changed.

- *Withdrawal of supports for English language learners:* The Trump administration rescinded 2015 [guidance](#) on providing supports to English language learners as required compliance under Title VI of the Civil Rights Act of 1964. This action, in combination with the proposal to eliminate Title III funding, which supports English language learners and migrant students, and a [reinterpretation](#) of federal law to now exclude undocumented immigrants from the federal Head Start program, signals a larger effort by the Trump administration to withdraw federal support for these students. The federal Department of Homeland Security's increase in deportation proceedings has also impacted NYC students—either because students face the threat of deportation [themselves](#), or their [families](#) do. As reported in a recent [study](#) on English language learners in Rhode Island and Connecticut, increased enforcement activity can negatively impact school attendance for those students.

Conclusion

When the City adopts its budget for the 2027 fiscal year (which begins July 1, 2026), the DOE budget will likely need to reflect changes in expected federal revenue. At a minimum, these changes may include the elimination of federal grants directly to DOE, such as those for Head Start and for the Magnet School Assistance Program. The City will also need to account for any changes in State revenue that follow the adoption of the State budget, usually enacted by April of each year. As the State contends with large federal reductions to Medicaid and potentially other areas of need, the State legislature may choose to adjust funding priorities, with downstream effects for NYC. And finally, the next City budget will also need to address any additional changes in revenue resulting from as-yet unpassed federal appropriations bills.

Before then, DOE may also experience delays in processing federal reimbursements due to large reductions in federal administrative staff. Additional layoffs may follow if agencies choose to implement the federal Office of Management and Budget's [guidance](#) during a government shutdown. Many NYC students will experience other changes in their lives resulting from federal shifts, such as reductions in Medicaid and SNAP funding, or the withdrawal of supports for English language learners and immigrant students, who may fear attending school as immigration enforcement increases.

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Appendix

FIGURE A1

All 2025 Budgeted Federal Grants for Education

Dollars in Thousands

Administering Agency	Description	Current Modified Budget Revenue – June 2025
U.S. Department of Education	ESSA Title I	\$820,101
	IDEA	\$344,204
	Title IV Student Support	\$63,000
	ESSA Title II Professional Development	\$58,500
	Title III Limited English Proficiency & Immigrant Students	\$34,006
	Title I Competitive Grants	\$30,000
	Title IVB 21st Century Community Learning Centers	\$21,011
	Federal Miscellaneous Grants	\$15,000
	Vocational Education	\$14,294
	Magnet Schools	\$12,435
	Installation Impact Aid	\$5,250
	Education for Homeless Children and Youth	\$1,685
U.S. Department of Agriculture	Federal School Lunch	\$423,000
	School Breakfast Program	\$115,000
	Off-School Time Meals	\$31,795
	Summer Feeding Program	\$25,483
U.S. Treasury	ARPA Fiscal Recovery Fund	\$212,167
U.S. Department of Housing and Urban Development	Child Care & Development Block Grant	\$140,000
	Medicaid Health and Medical Care	\$81,000
	Head Start	\$70,727
	Federal Drug Abuse	\$16,691
	Federal CD for Code Violations	\$2,963
TOTAL FEDERAL REVENUE		\$2,538,312

SOURCE: Office of Management and Budget, Department of Education FY2026 Adopted Plan Briefing Package

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