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IBO Releases Report on City Executive Budget Including Analysis of Newly Approved State Funding

June 1, 2026 – The Mamdani administration has presented a balanced Executive Budget for 2027. Due to a late State Budget, Mayor Mamdani’s Executive Budget, published on May 12, included placeholder assumptions. Now with the State budget bills in place, IBO’s Executive Budget analysis now **highlights areas of the State budget that impact New York City** from a fiscal and policy perspective.

IBO [projects](#) a surplus of \$476 million for this year, that if used to prepay expenses for next year, leaves a \$1.1 billion gap for 2027—IBO believes it is reasonable to assume this gap can be closed during the budget process.

IBO’s analysis also reviews planned areas of new revenue and savings presented in the Executive Budget and the challenges New York City may face in implementing these initiatives to close the budget gap for fiscal year 2027. IBO’s estimates of future budget gaps are broadly similar to the Mamdani administration’s projections.

IBO’s analysis is intended to serve as an informative guide to the Mamdani administration and the New York City Council as budget negotiations proceed, as well as a guide for advocates, service providers, and members of the public. The City’s **budget negotiations are now on an even tighter timeline** than usual to meet the deadline of the close of fiscal year 2026 on June 30, 2026.

Education Aid: IBO estimates that the Mamdani administration’s assumption of \$150 million more in Foundation Aid in 2027 is accurate.

Childcare Vouchers: IBO estimates that \$78 million in additional City funds will be needed in 2027, growing to almost \$1 billion annually starting in 2028 to address a





structural budget shortfall—the City is budgeting \$800 million annually in 2027 and beyond despite planning to spend \$1.8 billion this year. The State has committed \$1.4 billion in funding for New York City childcare through fiscal year 2027, but that requires the City to add funds to effectively draw down available State funds.

Housing Vouchers: New York City is expected to receive \$33 million out of the \$50 million total allocation for the State’s housing voucher program. IBO does not expect these funds to result in any decreased City funding for its City Fighting Homelessness and Eviction Prevention Supplement (CityFHEPS) housing voucher program.

Tier 6: The Executive Budget added \$110 million annually beginning in 2027, anticipating changes in Tier 6 pensions. Based on the State budget and the City Actuary’s estimates, IBO expects additional City funds, over and above the initial increase in the Executive Budget, is needed: \$41 million in 2027 growing to \$69 million in 2030.

Pension Liabilities: The State budget authorizes a five-year extension of the City’s unfunded accrued liabilities (UAL) pension payment schedule, subject to approval by the five City pension boards, which would reduce the City’s required annual contributions to fund future liabilities. This change does not affect pension benefits or eligibility.

Pied-à-terre Tax: The State authorized a graduated tax surcharge on high-value secondary homes. IBO finds that the potential revenue this tax will generate will depend on how properties values are calculated and the City’s ability to administer and enforce collections, as well as shifts in owner behavior aimed at avoiding the surcharge.

CityFHEPS: The Executive Budget projects \$235 million in annual administrative savings for the City’s main rental housing voucher program starting in 2027, as yet unspecified. This partially offsets program cost increases made in the Preliminary Budget.

Due Process Cases: The Executive Budget projects \$149 million in annual savings for due process cases, which are filed by public and nonpublic students seeking special education services outside of the public school system. These savings partially offset increases made in the Preliminary Budget, but also require additional spending for staff to provide special education services.

Class Size: The Executive Budget assumes that the City’s timeframe to implement the Class Size Reduction law will be extended, and negotiations to accomplish this extension continue in Albany.





Vacancy Savings: IBO projects relatively minimal personnel savings of \$278 million in 2026. In 2027, the Administration eliminated over 1,200 positions, but added over 2,100, for a net increase of nearly 900. In combination with the removal of 2-for-1 hiring restrictions, the City is unlikely to see major personnel savings in 2027 and faces the challenge of upcoming collective bargaining negotiations in the coming years.

Large Budget Gaps Starting in 2028: The City faces large gaps starting in 2028 from \$7.6 billion to \$9.3 billion. Closing these large budget gaps will require either new revenues, lower levels of City spending, implementation of government efficiencies, or a mix of all three.

