



HOW FEDERAL BUDGET CUTS IMPACT NEW YORK'S ECONOMY

New York is a net contributor of taxes to Washington. In return, the city and state have always been able to rely on federal funding for critical infrastructure investments and social services. Now, funding freezes already targeting New York – and the threat of more to come – are creating chaos and uncertainty, straining operational budgets, impacting the private sector, and forcing policymakers to consider cutting programs or raising taxes.

Federal funds support essential public services and infrastructure in New York.

- + New York sent the federal government \$76.5 billion more than it received in 2024, amounting to roughly \$4,000 per person.¹
- + In SFY 2025, New York received \$96.7 billion from the federal government, accounting for 38.8% of the State's revenue. In SFY 2026, New York expected to receive \$93.1 billion in federal funding, with the vast majority – an estimated 87% – going to health and human services programs, including Medicaid.²
- + The city's FY 2025 budget included nearly \$9.7 billion in federal funds, comprising 8.3% of total spending. The state comptroller estimates there could be at least \$535 million in federal aid reductions for fiscal years 2025 and 2026, and that nearly all federal aid could be cut or eliminated.³
- + This year, New York City Comptroller Mark Levine said the city has a budget shortfall of \$2.2 billion, and a \$10.4 billion shortfall in the fiscal year beginning in July.⁴

Federal funding cuts are already destabilizing New York's economy and workforce.

- + In January 2026, the Trump Administration announced \$10 billion in additional cuts for social services and child care in five Democrat-led states, including New York.⁵ The total of new cuts to New York was unclear, but previously, the state received \$1.1 billion in federal child care funding in SFY 2025, and federal funding made up three-quarters of spending on child care assistance in New York from April 2015 through March 2025.⁶ The move could cost families across the five states more than \$400 million in lost parental earnings, and businesses could lose another \$119 million annually in reduced revenue.⁷

- + In January 2026, President Trump threatened “significant” federal funding cuts to sanctuary cities and states, which would include New York, beginning February 1st.⁸ While the focus of the cuts remain unclear, the threat has increased economic anxiety and uncertainty.
- + In October 2025, the Trump Administration announced it was freezing \$18 billion in funding for two infrastructure projects in New York, including the Gateway Tunnel under the Hudson River, which would jeopardize 11,000 construction jobs and \$4.5 billion in economic activity.
- + In the Fall 2025, the Department of Homeland Security announced \$187 million in cuts for counterterrorism in New York. Following outreach by Governor Hochul to President Trump, the Administration reversed the cuts in October.⁹
- + Following the election of Zohran Mamdani, the administration reportedly reviewed federal funds that could be suspended or canceled.¹⁰
- + New York State officials warn they cannot fully backfill these federal cuts. By late 2025, the state had scrambled to provide emergency funds for food banks and hospitals, but acknowledged the gap is too large to close completely. This shortfall means reduced demand for local businesses and the potential for layoffs in affected sectors.¹¹

Economic actions by the Administration and politicization of federal support create uncertainty that discourages investment, hiring, and long-term planning.

- + New York City’s Comptroller described a “relentless assault” of federal actions, including tariffs, immigration enforcement, and unilateral budget cuts. By late 2025, New York City’s economic growth had “moderated significantly,” and job creation slowed, trends the Comptroller’s office links to unpredictable federal policy.¹²
- + Cornell’s ILR School found steep declines in federal contracts and grants in New York. It warned that if current policies continue, “residents, businesses, state and local governments... are likely to face meaningful adjustment costs.”¹³

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5. <https://www.nytimes.com/2026/01/06/nyregion/nyc-child-care-programs-trump-funding-freeze.html>
6. <https://www.osc.ny.gov/reports/budget/fed-funding-ny/child-care-assistance>
7. <https://tcf.org/content/commentary/trumps-child-care-funding-freeze-in-five-states-could-cost-families-400-million/>
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13. <https://news.cornell.edu/stories/2025/10/how-federal-funding-cuts-are-impacting-each-nys-county>