

A Closer Look at Boston's Federal Funds

One-time COVID-19 Funds Have Temporarily Boosted City's Federal Expenditures

The amount of federal funds that Boston spends has drastically increased in the past decade, from \$190.4M in FY15 to \$563.5M in FY24. Grants from the federal government made up 11.2% of Boston's all-funds expenditures in FY24. What has driven this change in the City's receipt of external funds? How much of this increase is due to COVID-19 relief funds? How reliant is Boston on federal funding for its operations? What federal departments does Boston receive funding from? What are the goals of the largest grants that the City receives?

Report Objectives

This report provides information and insights on:

- Reliance on federal funds for city operations
- Changes to Boston's federal expenditures over time
- Impact of COVID-19 pandemic on federal expenditures
- Boston's largest sources of federal funds
- Methods of distribution for federal funds

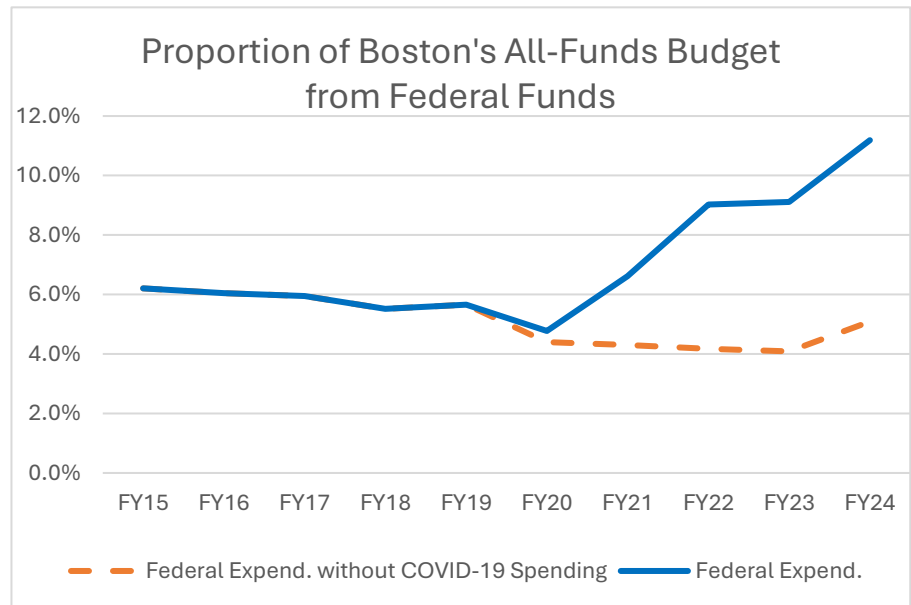
A special thank you to the Research Bureau's Cabinet Members for their generous support.

Arlington Advisory Partners | Blue Cross Blue Shield of Massachusetts | Citizens Bank |

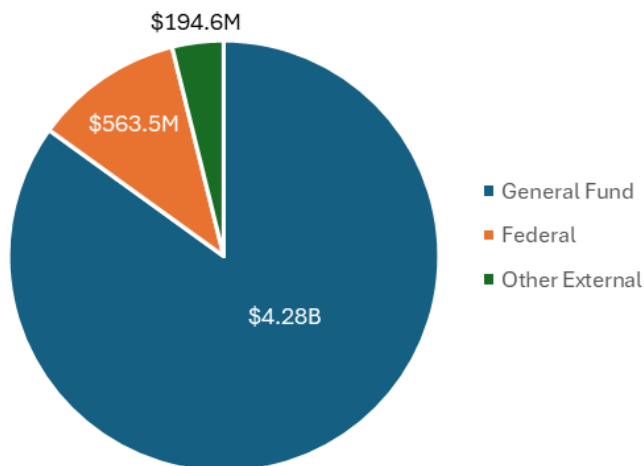
Comcast | P&G Gillette | State Street Corporation | The Drew Company | Verizon |

Background

Amid an uncertain federal environment, renewed attention has been given to the funds that states and municipalities receive from the federal government. Federal funds¹ provide an important source of funding for a wide range of Boston's city services and constituted 11.2% of the City's all-funds expenditures in FY24, the most recent available data. Over the past five years, the major development in the City's federal expenditure landscape has been the infusion of one-time federal COVID-19 relief funding, which constituted the majority of federal funds expended from FY22 through FY24. In FY24, federal expenditures increased by \$109.1M or 24.0%, as an increase of \$62.4M spending of COVID-19 relief funds outpaced growth of \$46.7M in non-COVID-19 federal grant spending. While the possible loss of federal funds is an ongoing concern, this report does not concentrate on this uncertain future. Instead, it focuses on what federal funding is received by Boston, how it is used, and how much it has changed over time.



Boston's FY24 All-Funds Expenditures



Federal Funds over Time

Reliance on Federal Funds in Operating Budget – In recent years, the City's budget has utilized more federal funding, through the usage of one-time federal grant programs such as the Coronavirus Aid, Relief and Economic Security Act (CARES), the American Rescue Plan Act (ARPA), and Elementary and Secondary School Emergency Relief (ESSER), which were intended to be used as a one-time catalyst for pandemic recovery. Under ESSER, funding occurred in three phases. Overall, Boston Public

¹ Federal expenditures in this report represent actual expenditures and do not include the unpaid principal balance of loans from prior years (\$151.6M as of June 30, 2024) under the HOME Investment Partnership Program subject to continuing compliance requirements. Only HOME loans made in each fiscal year have been included to better facilitate comparison of data across years.

Schools (BPS) received \$454M through ESSER with an expenditure deadline of January 2025. The City also received \$558.7M in ARPA funding, under which funds must have been obligated by December 31, 2024, but can be expended through 2026. For an in-depth dive into the City's use of ARPA funds, please see our [2023 Special Report](#) on the City's intended use of the funds, and our [update](#) from 2024.

The City of Boston relies on external funds as a part of its all-funds budget, which includes both the general fund as well as external funding from federal, state, and private grants. In FY26, the City adopted a \$4.84B general fund operating budget but also

Major Covid-19 Programs

	Amount Appropriated	Amount Remaining as of 6/30/25	Program End Date
CARES	\$120.8M	\$0.0	12/31/2021
ESSER	\$454M	\$807.8K	1/28/2025 [†]
ARPA*	\$558.7M	\$129.3M	12/31/2026

*State and Local Fiscal Recovery Funds only †BPS received late liquidation approval beyond deadline on certain funds

budgeted \$626.7M in external funding, or 11.5% of the total \$5.47B all-funds budget. This is a decrease from an estimated 14.5% in FY25 and 15.1% in FY24 but is in keeping with the average of external funding of 11.2% over the last decade. Of the external funds spent by the City over the past decade, an average of 61.9% came from the federal government, with FY24 representing a high of 74.3%. Therefore, a budgeted decrease in total external funding in FY26 as a proportion of the all-funds budget would likely be driven by a decrease in federal funding as COVID-19 programs come to a close.

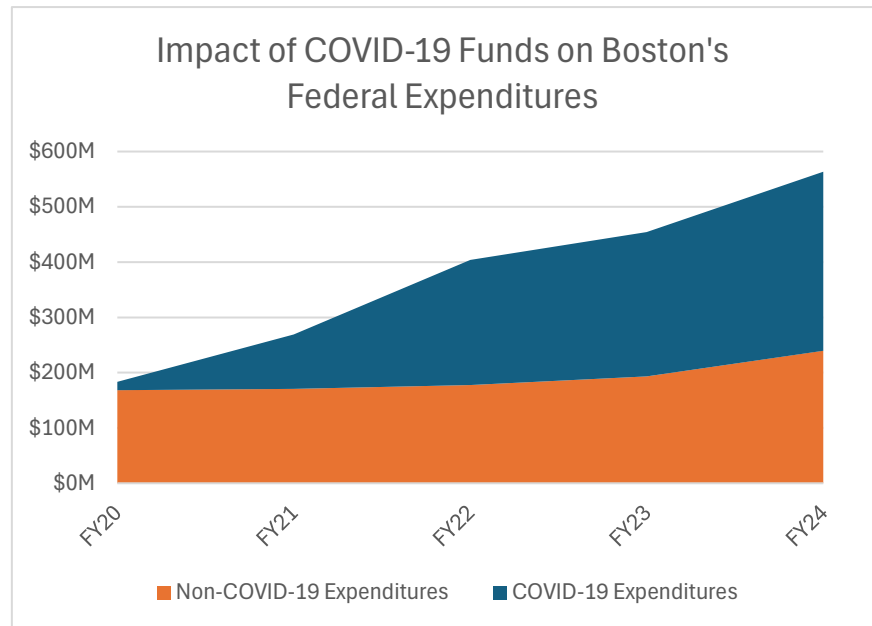
In the four fiscal years prior to and including the start of the coronavirus pandemic, FY17-FY20², Boston spent an average of 5.5% of its all-funds budget from federal grants, rising to an average of 9.0% in FY21-24 and 11.2% in FY24. As the federal landscape continues to shift, Boston faces potential impacts to federal grants coming directly to the City and those passed through state agencies. Additionally, if cuts to federal programs significantly impact the state budget, Boston could experience secondary effects as the City relies on state aid for 10.8% of its FY26 general fund operating budget.

Impact of the Covid-19 Pandemic – From FY20 to FY24, Boston saw an increase of \$379.9M (207.6%) in annual federal expenditures, driven by COVID-19 relief programs that will have brought over \$1.1B to the City upon their completion. In FY23 Boston spent \$261.2M in federal dollars related to COVID-19. In FY24, that figure increased 23.9% to \$323.7M, driven by the City's spending down of ESSER funds for the Boston Public Schools. While non-COVID-19 spending also rose by 24.2% (\$46.7M) it constituted a minority (42.6%) of total federal funds for the third consecutive year dating back to FY22.

Cities across the country are grappling with the end of federal COVID-era funds, which resulted in a large influx of money to municipalities, and have been trying to avoid the ESSER and ARPA fiscal cliff that could result in programmatic losses from the reductions of these programs. In recent budgets, Boston Public Schools has worked to absorb ESSER-funded programs and staff onto the general

² Includes FY20, the year in which the coronavirus pandemic started, in which the City did spend \$15.2M in COVID-19 relief funds.

fund for program continuity. For example, [the City in FY25](#) funded an \$80.8M (5.6%) increase in the BPS budget and the addition of 167.1 full-time equivalents (FTEs) from the general fund to offset the loss of \$128.9M in ESSER funding and 492.2 ESSER-funded FTE positions. As the City nears the end of ARPA in 2026, it will also need to make choices about what programs currently funded by ARPA should be moved onto the general fund.



Because of the growth in federal support to the City over the last five years and the expected end of these one-time programs, the City was already expecting to see a decrease in federal funding in future years to return closer to historic averages. However, this increased reliance on federal funding in recent years could make potential federal cuts to existing grant programs even more jarring.

Federal Funds by Source

Largest Programs – In FY24, Boston’s 10 largest federal grants accounted for 91.0% of the City’s total federal expenditures. The two largest grants, the Education Stabilization Fund and the ARPA State and Local Fiscal Recovery Fund, are both COVID-19 related programs and comprised a majority, 53.4%, of total funds. The largest expenditure in FY24 came from

From FY20 to FY24, Boston saw an increase of \$379.9M (207.6%) in annual federal expenditures, driven by COVID-19 relief programs that will have brought over \$1.1B to the City upon their completion.

the Education Stabilization Fund. This fund encompasses four emergency relief programs that assist elementary, secondary, higher education, public and non-public schools, including ESSER. ESSER funds were allowed to be used in a variety of ways to address the impact of COVID-19 on schools, including addressing the needs of low-income, special education and English language learner students, improving safety and health in schools, acquiring educational technology, and providing mental health supports. In FY24, Boston spent \$203.8M from the Education Stabilization Fund, which accounted for 36.2% of that year’s total expenditures.

The other large COVID-19 related program is the ARPA State and Local Fiscal Recovery fund. The purpose of this fund is to help recipients respond to the COVID-19 pandemic and its economic impact. ARPA funds were allowed to be used to replace lost revenue, respond to public health needs and negative economic impacts, provide premium pay for essential workers, and invest in water,

sewer, and broadband infrastructure. While Boston did use \$95.0M (17.2%) of its APRA funds to replace lost revenue, it left over \$460M that the City invested in other areas such as funding for housing, economic opportunity and inclusion, and climate and mobility. In FY24 the city spent \$97.0M in ARPA funding, 17.2% of the year's total federal expenditures.

Boston's 10 Largest Federal Grant Programs in FY24

\$ in millions				
Program Name	Department	FY24 Expenditures	% of Total	
Education Stabilization Fund	Education	\$203.8	36.2%	
ARPA State and Local Fiscal Recovery Fund	Treasury	\$97.0	17.2%	
Title I	Education	\$58.9	10.4%	
Continuum of Care	Housing and Urban Development	\$40.4	7.2%	
National School Lunch Program	Agriculture	\$30.9	5.5%	
Community Development Block Grants	Housing and Urban Development	\$30.8	5.5%	
Special Education Grants to States	Education	\$17.9	3.2%	
Homeland Security Grant Program	Homeland Security	\$13.8	2.5%	
Staffing for Adequate Fire and Emergency Response (SAFER)	Homeland Security	\$10.0	1.8%	
HOME Investment Partnerships Program	Housing and Urban Development	\$9.4	1.7%	
Subtotal		\$512.9	91.0%	
<i>All Others</i>		<i>\$50.6</i>	<i>9.0%</i>	
Total		\$563.5	100.0%	

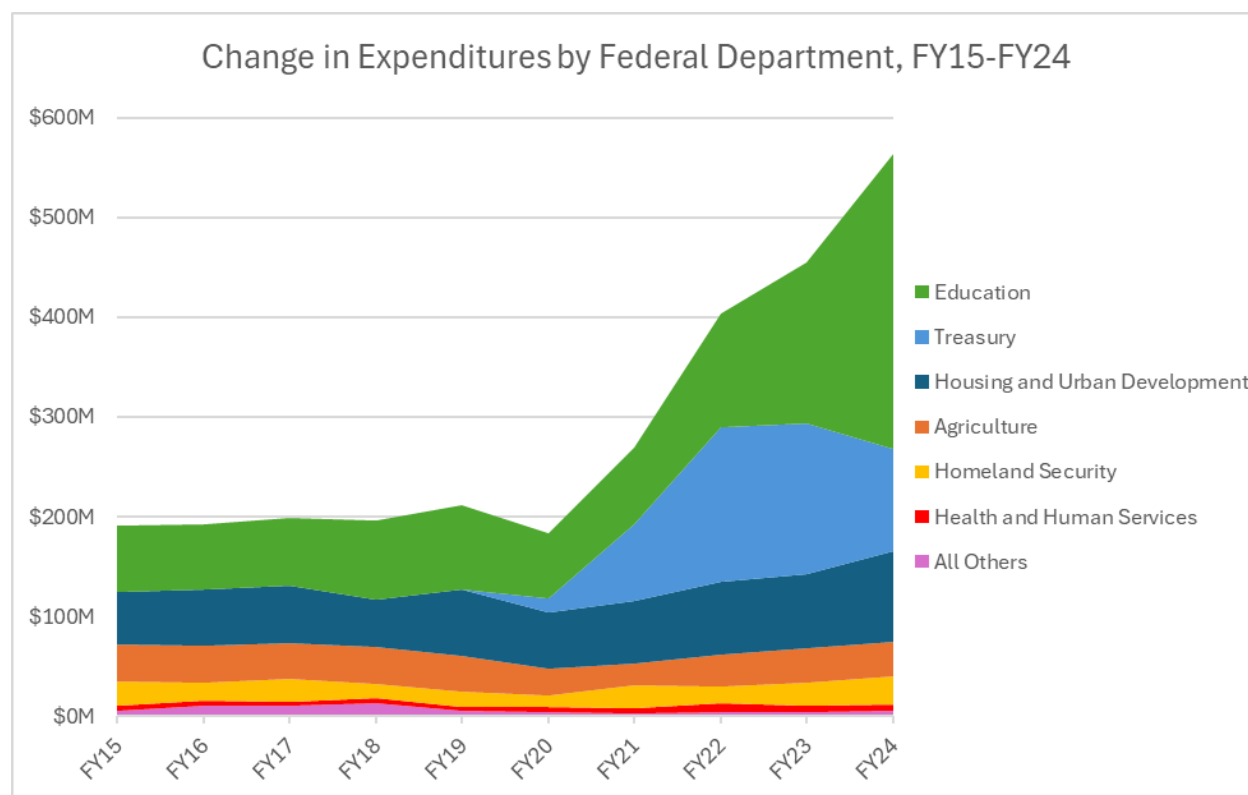
Of the remaining 8 largest grants, 3 are education related: Title I funding, the National School Lunch Program, and the Special Education Grants to States. Title I funds (\$58.9M or 10.4%) support schools with a high proportion of low-income students, through implementing academic and support services for students, providing staff with professional development opportunities, and strengthening schools' ability to enable their students to reach state academic standards. The National School Lunch Program (\$30.9M or 5.5%) reimburses schools for providing students with low- or no-cost lunches on school days. This funding is leveraged by the City to provide free breakfast and lunch to all BPS students regardless of income. Lastly, the Special Education Grants to States program, (\$17.9M or 3.2%) funded through the Individuals with Disabilities Education Act (IDEA), is used to offset the extra costs needed to provide children with disabilities with an adequate and equitable public education. In total, these three educational grants and the Education Stabilization Fund made up 55.3% of FY24 federal expenditures.

Three of the largest grants the City receives are related to housing: the Continuum of Care program, Community Development Block Grants and the HOME Investment Partnerships Program. Continuum of Care (\$40.2M or 7.2%) is a competitive grant program used to combat homelessness by awarding subrecipients with funds that can be used to provide homeless individuals with permanent housing, transitional housing, and supportive services. The Community Development Block Grant program (\$30.8M or 5.5%) aims to improve housing, living environments, and economic opportunities in urban communities, especially for low-income residents. These funds can be used for a wide variety of projects including acquiring property, rehabilitating residential structures, and

improving streets. HOME funds (\$9.4M or 1.7%) can be used for acquiring and constructing affordable housing, providing rental and homebuyer assistance, and housing rehabilitation, with the goal of expanding the supply of affordable housing for low-income Americans.

The remaining two grants are the Homeland Security Grant program and the Staffing for Adequate Fire and Safety Response program, which both come from the Department of Homeland Security. The Homeland Security Grant program (\$13.8M or 2.5%) works to prevent terrorism and prepare for security threats. The Staffing for Adequate Fire and Safety Response program (\$10.0M or 1.8%) provides local fire departments with funds to hire firefighters to enable them to respond more quickly and effectively to emergencies.

Federal Funds Received by Department – The City of Boston has historically received the overwhelming majority of its federal operating funds from five federal departments: Education, Housing and Urban Development, Agriculture, Homeland Security and Health and Human Services. Since FY20, funds received from the U.S. Treasury Department have also constituted a major source due to an influx of dollars from COVID-19 programs.



The Education Department is the largest grantor of federal funds to Boston, accounting for 52.6% or \$296.2M of funds expended in FY24 and an average of 36.4% over the last 10 years. Spending in FY24 was particularly driven by the City’s use of \$203.8M in spending from the Education Stabilization Fund, as it moved to expend ESSER funds before the program came to a close. This award alone accounted for 36.1% of the City’s FY24 federal expenditures. Due to the importance of funds coming from the Department of Education as a share of the overall funds spent, cuts to education funding could have an outsized impact on the City’s external funds budget.

Funds received from the Treasury Department, which constituted 18.1% (\$101.7M) of funds expended in FY24, consist almost entirely of COVID-19 relief funds in the form of programs such as ARPA and the Emergency Rental Assistance program. These funds have resulted in a significant expansion in federal grant revenue coming to the City. However, as they are one time in nature, with rental assistance having ended September 30, 2025, and ARPA facing a spending deadline of December 2026, this influx is expected to disappear in the coming fiscal years.

The City spent \$90.6M (16.1%) from the Department of Housing and Urban Development in FY24, which constituted an average of 24.7% of funds expended from FY15 to FY24. FY24 represented a decade high for funding from HUD, driven by increases in the Community Development Block Grant and Continuum of Care programs. In the past decade, from FY15-FY24, annual Community Development Block Grants awards averaged \$21.7M. In FY24, the City spent \$30.8M on this program, an increase of \$11.5M (59.5%) from FY23. Similarly, Continuum of Care annual funding over the past decade averaged \$27.1M, while the FY24 award was \$40.4M, an increase of \$7.2M (21.6%) from the prior year.

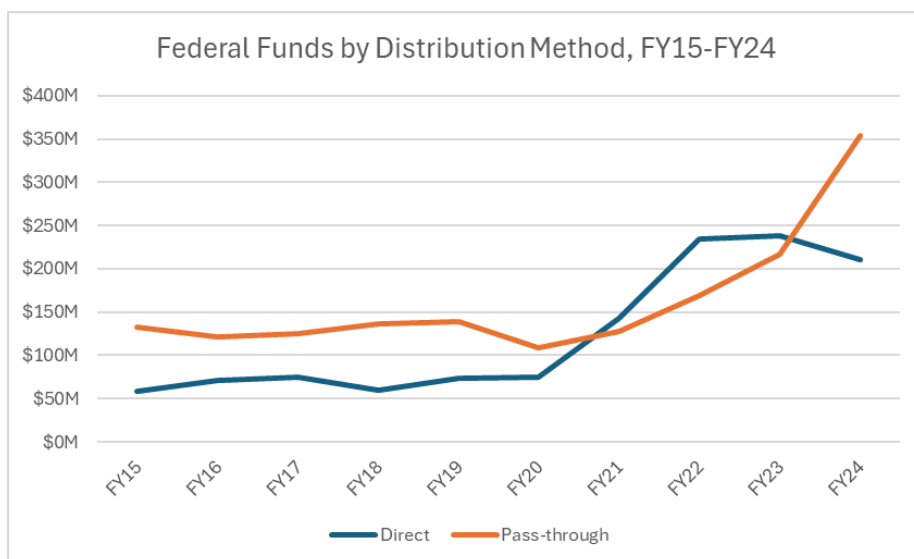
Boston also receives significant funding from the Department of Agriculture, which provides funding for nutritional and food service programs for children, as well as for elderly or impaired adults enrolled in nonresidential day programs. The City expended \$35.1M (6.2%) from the department in FY24 and an average of 13.7% of total funds over the last decade.

Funding from the Homeland Security Department accounted for 4.9% (\$27.6M) of federal funds spent in FY24 and an average of 7.6% over the last decade. Health and Human Services grants constituted 1.2% (\$6.7M) of federal funds spent in FY24 and an average of 2.2% over the last decade.

Distribution of Federal Funds

Direct Funds – Of the federal funds that the City receives, some come directly from the federal government whereas others are first passed through other entities. In recent years, the share of funds coming from direct grants surpassed those passed-through other entities as ARPA funds came directly to the City. In FY24, the share of direct funds decreased to 37.3%, or \$210.1M, while passed-through funds (62.7% or \$353.3M) outpaced direct funds for the first time since FY20, driven by a surge in ESSER spending.

Outside of ARPA, the largest direct grant programs come from the Department of Housing and Urban Development (HUD), with grants like the Continuum of Care program (\$40.4M), Community Development Block Grants (\$30.8M),



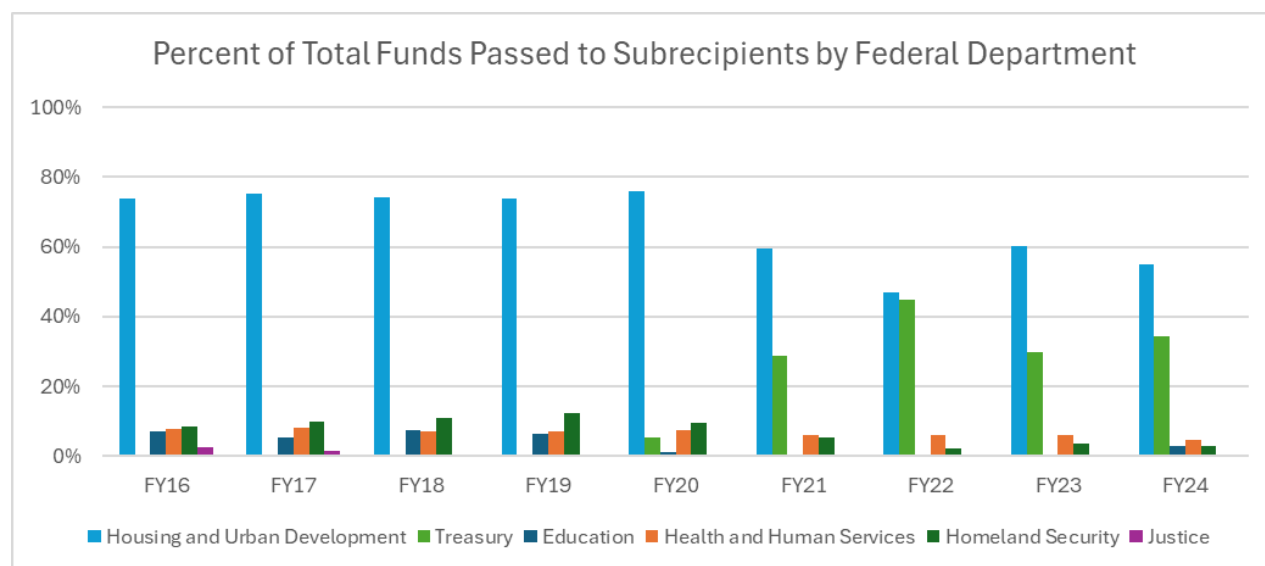
the HOME program (\$9.4M), and the Housing Opportunities for Persons with AIDS program (\$3.8M) coming directly to the City. Boston also receives significant direct funding from the Department of Homeland Security, including \$10.0M for the Staffing for Adequate Fire and Emergency Response program.

Pass-through Funds – Of funds that are passed-through other entities before they reach the City, almost all, an average of 99.5% from FY15 to FY24, pass through state agencies. The remaining pass-through grants are directed through nonprofit organizations or other agencies such as the Boston Housing Authority (BHA) or the Boston Planning and Development Agency (BPDA). Because so many of the federal grants the City receives first pass through the state, cuts in certain federal grants to states have the potential to be felt downstream in municipalities.

Of federal funds passed-through state agencies, the vast majority, 93.5% (\$330.3M) in FY24, are passed through the Department of Elementary and Secondary Education. The amount of funds passed through DESE has grown significantly in recent years as \$454M in ESSER funds were passed through the agency on to the City. However, even prior to ESSER, most funds passed through the state came through DESE. From FY15 to FY24, an average of 84.8% of funds passed through the state came through DESE. In addition to ESSER, the largest pass-through grants came in the form of Title I (\$58.9M), the National School Lunch program (\$30.9M) and special education grants (\$17.9M). Title I, Boston’s largest non-COVID-19 federal program, increased in FY24 by \$22.4M (61.6%) over FY23 and reached a high for the decade spanning FY15-FY24.

The second and third largest state agencies that funds passed through were the Executive Office of Public Safety (\$15.1M or 4.3%) and the Executive Office of Elderly Affairs (\$5.4M or 1.5%).

Sub-recipients – A significant portion of the federal funding that the City spends, 17.7% (\$99.9M), is passed through to subrecipients. In FY24, \$54.9M or 55.0% of funds passed through to subrecipients came from Department of Housing and Urban Development and 34.5% (\$34.5M) from the Department of Treasury, with grants received from the Health and Human Services, Justice, Homeland Security and Education departments filling out the rest. From FY20-FY24, COVID-19 relief



funds in the form of ARPA accounted for an increase in distribution to subrecipients, as funds were given to local businesses and non-profits to help with the City's recovery.

For two federal departments in particular, a majority of the funds received are then distributed to subrecipients. In FY24, 60.6% of federal funds received by HUD were distributed to subrecipients,

driven by the Continuum of Care program, which distributed \$38.0M of the \$40.4M program to subrecipients. The Mayor's Office of Housing coordinates the distribution of

FY24 Distribution of Funds Passed to Subrecipients by Federal Department

Department	Federal Expenditures	Distributed to Subrecipients	% of Expenditures to Subrecipients
Housing and Urban Development	\$90.6M	\$54.9M	60.6%
Treasury	\$101.7M	\$34.5M	33.9%
Health and Human Services	\$6.7M	\$4.7M	70.1%
Homeland Security	\$27.6M	\$3.0M	10.8%
Education	\$296.2M	\$2.8M	1.0%
Justice	\$1.8M	\$11.7K	0.7%
<i>All Others</i>	\$265.5M	\$0.0M	0.0%
Total	\$563.5M	\$99.9M	17.7%

these funds to Boston housing assistance network providers, which include shelters, non-profits, and the Boston Public Health Commission, all working to support homeless families and individuals.

Additionally, 70.1% of funds received by the Department of Health and Human Services were distributed to subrecipients. This was driven by Title III Part C funds, with all \$1.9M going to subrecipients to provide low-income senior citizens with nutritious meals and services. Additionally, for Title III Part B funds, \$1.4M of \$1.6M total went to subrecipients. These funds assist in the creation of local service hubs for senior citizens, including senior centers, with a goal of providing seniors with accessible resources that allow them to remain in their communities and homes.

Conclusion

Boston has benefited over the last five years from an influx of federal COVID-19 relief funds, which have driven overall federal expenditures upwards by \$379.9M (207.6%) from FY20 to FY24. As these programs come to an end, the City must decide how or if to continue the programs that were funded through them. This transition makes the current federal environment even more critical as the expected natural decline in ARPA and ESSER funding could be coupled with cuts to longer-term grant programs that the City has relied on to provide services to residents.

Boston should expect to see further declines in overall federal expenditures as federal COVID-19 relief funds come to a close. At the end of FY25, Boston had spent \$429.4M (76.9%) of the \$558.7M it received in ARPA funding, leaving \$129.3M (23.1%) to be expended through the end of 2026. Meanwhile, other federal funds that the City has received will be significantly reduced or absent from future fiscal years, such as ESSER and the Emergency Rental Assistance program. This can be expected to drive down federal assistance levels closer to pre-pandemic averages.

What is not yet known is the full impact that any potential federal cuts will have on the City's receipt of federal dollars. Cuts in federal funding may impact municipalities directly, through loss of direct grants or those passed through state agencies. The City could also experience secondary impacts from the loss of federal funding to the state, which is [currently estimated at \\$3.7B](#). Depending on the

state budgetary impact, the City could be impacted through downstream effects such as reductions in state aid.

Potential changes that could impact Boston include significant proposed cuts to Title I funding, Boston's largest non-covid federal grant program. A [proposal that passed](#) the U.S. House of Representatives Appropriations Committee included a 26% cut to Title I funding. [Staffing reductions](#) at the Department of Education, which President Trump has proposed eliminating, have also threatened management of existing grant programs that Boston relies upon, such as IDEA funding for students with disabilities. The Trump administration has also [proposed severe cuts](#) to HUD grants including the Continuum of Care program, Boston's second-largest non-COVID-19 grant program, which the City spent \$40.4M from in FY24. Cuts to these programs, given their importance to Boston, would have an outsized impact on the total amount of federal funds the city receives.

Federal funds constitute a significant portion of Boston's external revenue at 11.2% of its FY24 all-funds operating expenditures and provide important services to city residents. As Boston navigates a changing federal landscape, understanding what funds are received, what programs they support, and what is potentially at risk will be crucial to planning for the future and protecting against or attempting to offset future reductions in federal revenues to the City.