

Boston's Expenditures of Federal Funds Fall 23.1% as COVID-19 Funds Dry Up

Non-COVID-19 Spending of Federal Funds Increases for 5th Straight Year

Within a constrained revenue environment and proposed federal cuts in FY26 and FY27, renewed attention has been given to funds that the City of Boston receives from the federal government. Federal funds are an important part of the City of Boston's budget, supporting programs related to housing, education, economic development, and other areas. How much of the City's federal expenditures are associated with COVID-19 programs? What do the City's expenditures of federal funding look like without COVID-19 funds? How can the City manage the end of COVID-19 funds? How would cuts to non-COVID-19 federal funding impact the City's budget?

Report Objectives

This report provides information and insights on:

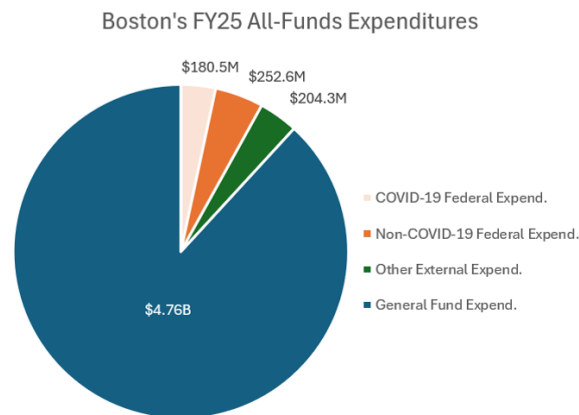
- Relative importance of federal funds for city operations
- Changes to Boston's expenditures of federal funds over time
- Differences in federal expenditures related to COVID-19 and non-COVID-19 programs
- Boston's largest expenditures of federal funds from FY20 to FY25
- Methods of distribution of federal funds

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

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Background

As federal funding linked to COVID-19 draws to a close, renewed attention has been given to the funds that states and municipalities receive from the federal government. Federal funds¹ are an important part of the City of Boston’s budget, supporting programs related to housing, education, economic development, and other areas. Boston’s expenditures of federal funds decreased by 23.1% in FY25 to \$433.2M, driven by a 44.2% decline in COVID-19 grant spending as programs wind

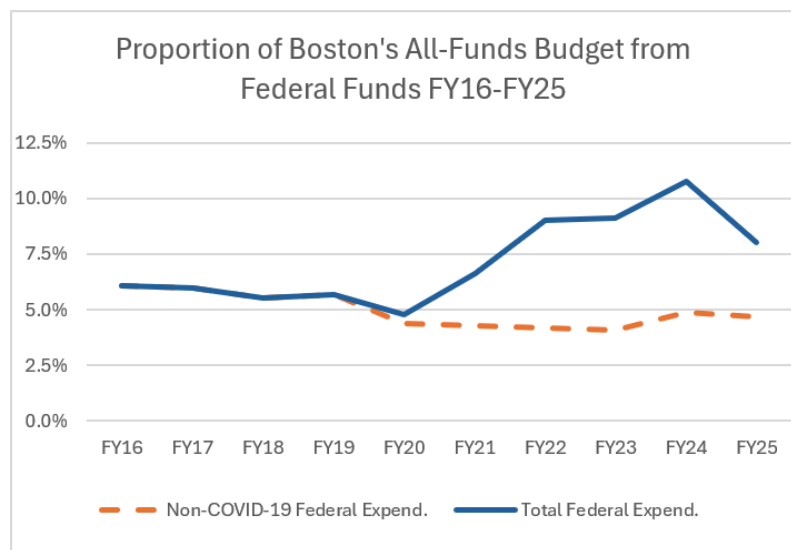


down. In contrast, spending of federal funds not linked to COVID-19 increased by 5.3% from FY24 to FY25.

Utilizing data on federal funding through FY25, this *Special Report* explores the complex federal funding picture for the City of Boston, examining the ways in which the City uses federal funding to help provide services to City residents. This report builds on the Research Bureau’s October 2025 *Special Report* covering the City’s expenditure of federal funds over the last decade, including the impact of one-time COVID-19 funding on City expenditures.

Boston’s Federal Funds Over Time

The City of Boston uses 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 FY25, funds from the federal government made up roughly two-thirds (67.9%) of total external funding. Federal funds provide an important source of funding for a wide range of Boston’s city services and constituted 8.0% of the City’s \$5.40B in all-funds expenditures in FY25. However, in FY25, expenditures of federal funds fell significantly by \$130.3M or 23.1% to \$433.2M, driven by a steep decline in expenditures of COVID-19 relief funds as they come to an end. Spending on COVID-19 programs totaled \$180.5M in FY25, accounting for 41.7% of the City’s spending of federal funds. As a whole, COVID-

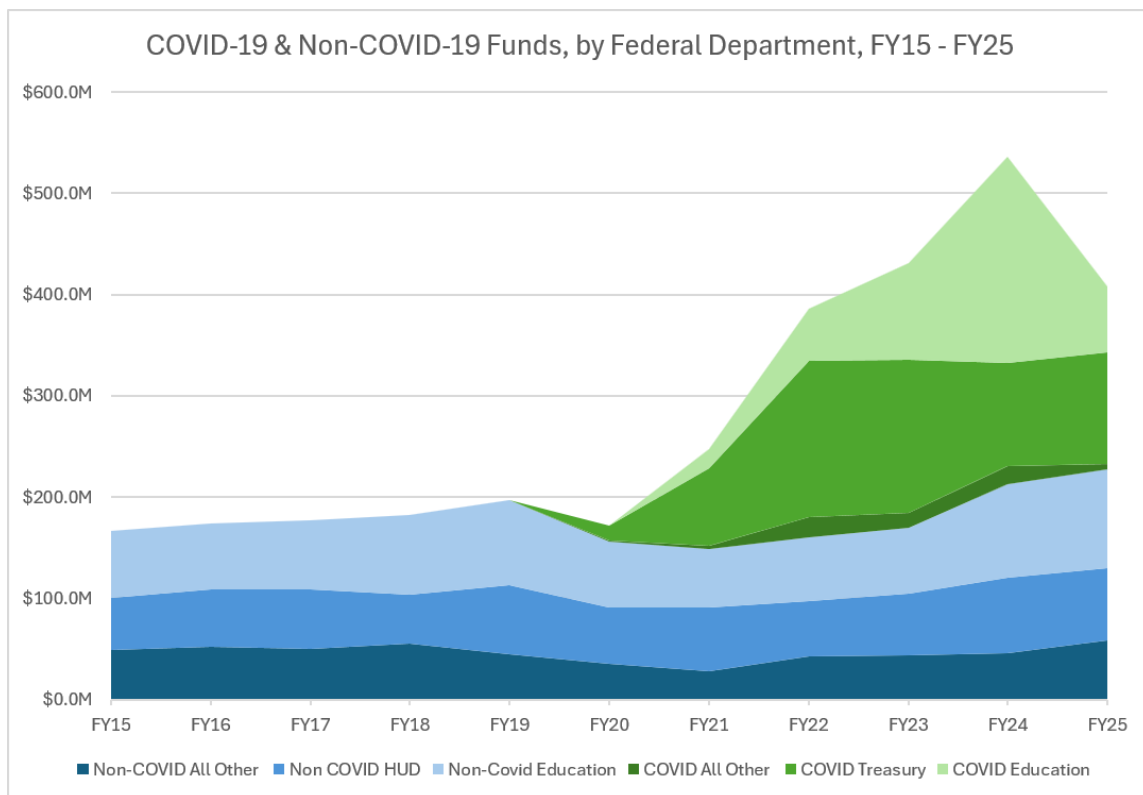


¹ Expenditures of federal funds in this report represent actual expenditures by the City of Boston. This does not include the unpaid principal balance of loans from prior years (\$153.8M as of June 30, 2025) under the HOME Investment Partnerships Program subject to continuing compliance requirements. Only HOME loans made in each fiscal year have been included to better facilitate comparison of data across years.

19 related expenditures fell 44.2% (\$143.1M) year-over-year, while non-COVID-19 expenditures increased 5.3% (\$12.8M).

Impact of the COVID-19 Pandemic – Over the past five years, the major development in the landscape of the City’s spending of federal funds has been the infusion of one-time federal COVID-19 relief funding, which constituted the majority of federal funds expended from FY22 through FY24.

From FY20 to FY24, Boston saw an increase of \$379.9M in expenditures of federal funds, driven by COVID-19 relief programs, which will have brought over \$1.1B to the City by the time the programs are completed. However, spending on COVID-19 programs fell sharply in FY25, down 44.2% or \$143.1M from FY24, representing most of the year-over-year drop in spending of federal funds. Despite lower spending, in FY25, a significant proportion (\$180.5M, 41.7%) of the City’s expenditures of federal funds were from COVID-19 programs, such as the American Rescue Plan Act (ARPA) and Elementary and Secondary School Emergency Relief (ESSER). FY25 marks the first year since FY21 that COVID-19 programs have not constituted the majority of expenditures of federal funds. Excluding COVID-19 programs, Boston’s expenditure of federal funds totaled \$252.6M, or 4.7% of the all-funds budget in FY25.



Federal COVID-19 era funds resulted in a large influx of money to municipalities, and cities across the country are now trying to avoid programmatic losses as these programs end. In recent budgets, Boston Public Schools (BPS) worked to pay for ESSER-funded programs and staff using general funds for program continuity. For example, in FY25 [the City](#) increased BPS’ budget by \$80.8M (5.6%) and included an additional 167.1 full-time equivalents (FTEs) in the general operating budget 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 December 2026, it will also need to make choices about which programs currently funded by ARPA should be moved to the general operating budget.

Major COVID-19 Programs

Program	Amount Appropriated	Amount Remaining as of 3/31/26	Program End Date
Coronavirus Aid, Relief, and Economic Security Act (CARES)	\$121M	\$0	12/31/2021
Elementary and Secondary School Emergency Relief (ESSER)	\$454M	\$0	1/28/2025 [†]
American Rescue Plan Act* (ARPA)	\$559M	\$81M	12/31/2026

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

Non-COVID-19 Spending – Non-COVID-19 expenditures of federal funds in FY25 were \$252.6M, accounting for a majority (58.3%) of spending of federal funds for the first time since FY21. While much of the focus on federal grants over the past five years has been on the growth in pandemic-related grant spending, Boston has seen a substantial increase in non-COVID-19 grant spending as well, having grown \$81.9M (48.0%) from FY21-FY25. In FY25, non-COVID-19 spending increased by 5.3% year-over-year and comprised 4.7% of Boston’s all-funds budget, exceeding the 3.3% for COVID-19 related expenditures. Despite the overall increase, City spending of non-COVID-19 funds varied significantly.

Greatest Increases in Non-COVID-19 Expenditures FY24 - FY25

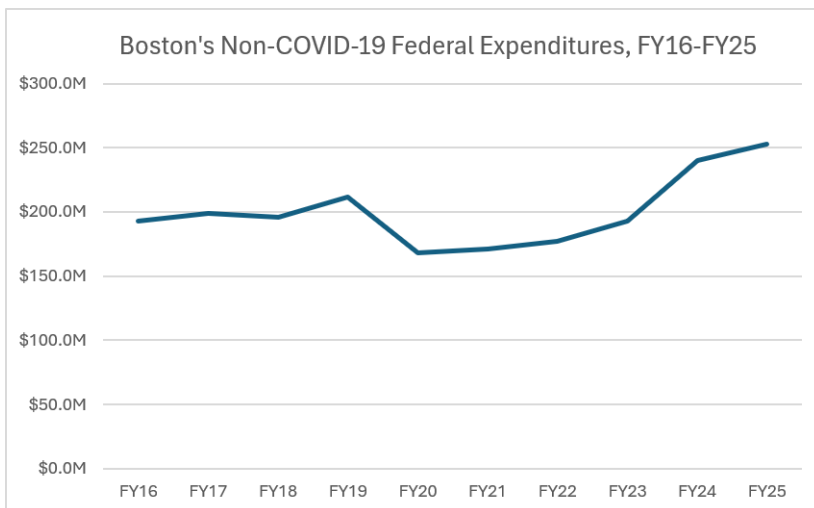
Non-COVID-19 Expenditure	FY24	FY25	\$ Change
Economic Adjustment Assistance	\$0.9K	\$6.5M	\$6.5M
Title I: Grants to Local Educational Agencies	\$58.9M	\$65.0M	\$6.1M
Homeland Security Grant Program	\$13.8M	\$15.6M	\$1.7M
Title III: English Language Acquisition State Grants	\$1.9M	\$3.5M	\$1.5M
Nutritional Services Incentive Program	\$.6M	\$2.0M	\$1.4M
Title III, Part C: Nutrition Services	\$1.9M	\$3.2M	\$1.3M
Assistance to Firefighters Grant	\$.4M	\$1.7M	\$1.3M
Continuum of Care Program	\$40.4M	\$41.5M	\$1.1M
HOME Investment Partnerships Program	\$155.1M	\$158.2M	\$3.1M
Promoting K-12 Student Achievement at Military –Connected Schools	\$0.0K	\$851.2K	\$851.2K

Greatest Declines in Non-COVID-19 Expenditures FY24 - FY25

Non-COVID-19 Expenditure	FY24	FY25	\$ Change
Staffing for Adequate Fire and Emergency Response	\$10.0M	\$4.6M	-\$5.4M
Community Development Block Grants – Entitlement Grant	\$22.6M	\$19.3M	-\$3.3M
Special Education – Preschool Grants	\$3.2M	\$.6M	-\$2.6M
Federal Transit Capital Investment Grants	\$815.5K	\$0.0K	-\$815.5K
Community Development Block Grants Section 108 Loan Guarantees	\$919.6K	\$124.3K	-\$795.3K
Career and Technical Education – Basic Grants to States	\$2.2M	\$1.6M	-\$688.6K
Emergency Food and Shelter National Board Program	\$556.7K	\$0.0K	-\$556.7K
Student Support and Academic Enrichment Program	\$3.1M	\$2.6M	-\$509.7K
National Priority Safety Programs	\$496.7K	\$0.0K	-\$496.7K
Reducing Lead in Drinking Water	\$1.5M	\$1.0M	-\$479.9K

Grant programs that saw substantial increases in spending in FY25 include Economic Adjustment Assistance (\$6.5M), Title I (\$6.1M), the Homeland Security Grant program (\$1.7M), Title III: English Language Acquisition Grants (\$1.5M), the Nutritional Services Incentive program (\$1.4M), and Title III: Part C (\$1.3M).

While these programs and others increased, several programs did see declines in year-over-year spending in FY25. Major decreases occurred in Staffing for Adequate Fire and Emergency Response (-\$5.4M), Community Development Block Grants (CDBG) (-\$3.3M), SPED Preschool Grants (-\$2.6M), and Federal Transit Capital Investment Grants (-\$815.5K).



Federal Funds by Source

Largest Programs – In FY25, Boston’s 10 largest federal grants accounted for 87.5% of the City’s expenditure of federal funds. The two largest grants, the ARPA State and Local Fiscal Recovery Fund and the Education Stabilization Fund, are COVID-19 related programs, and accounted for 40.3% of federal expenditures in FY25. Two other programs, HOME Investment Partnerships (HOME) and CDBG, are existing grant programs that were supplemented by COVID-19 funding, whereas the other six programs are not COVID-19 related.

Boston's 10 Largest Federal Grant Programs in FY25

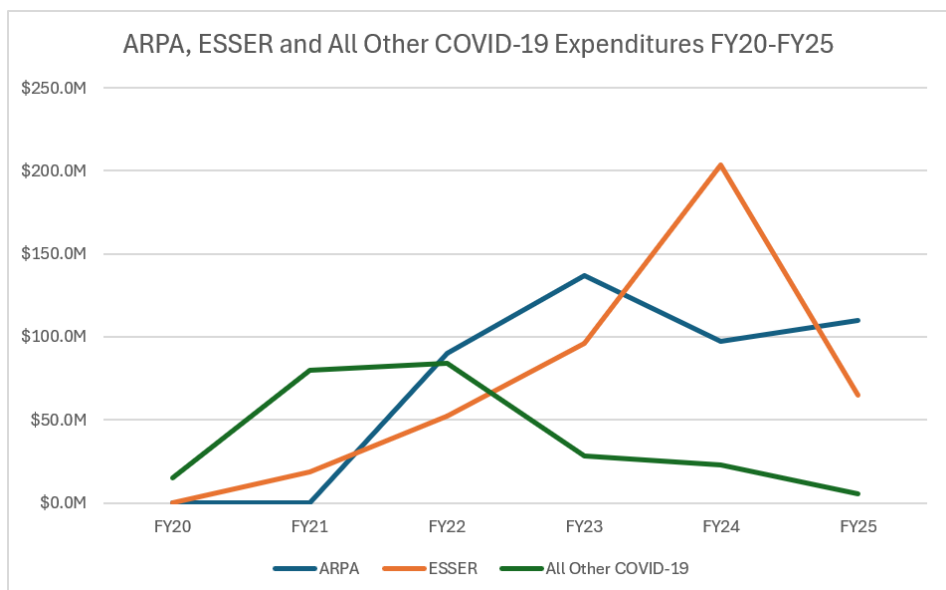
Program Name	Federal Department	FY25 Expenditures	% of Total FY25 Federal Expenditures
COVID-19 ARPA	Treasury	\$109.8M	25.4%
Education Stabilization Fund	Education	\$64.5M	14.9%
Title I: Grants to Local Educational Agencies	Education	\$65.0M	15.0%
Continuum of Care Program	HUD	\$41.5M	9.6%
National School Lunch Program	Agriculture	\$30.8M	7.1%
Community Development Block Grants	HUD	\$22.1M	5.1%
Special Education Grants to States	Education	\$17.7M	4.1%
Homeland Security Grant Program	Homeland Security	\$15.6M	3.6%
Economic Adjustment Assistance	Commerce	\$6.5M	1.5%
HOME Investment Partnerships Program	HUD	\$5.6M	1.3%
Subtotal		\$379.2M	87.5%
<i>All Others</i>		<i>\$54.0M</i>	<i>12.5%</i>
Total		\$433.2M	100.0%

American Rescue Plan Act (ARPA) – The ARPA State and Local Fiscal Recovery fund was the largest expenditure in FY25, representing 25.4% of all expenditures of federal funds. ARPA funds, which were

intended to help recipients respond to the COVID-19 pandemic and its economic impact, 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. Spending on ARPA increased by \$12.9M (13.3%) in FY25 to \$109.8M. The accelerated rate of spending comes after the City successfully obligated all of its \$558.7M in ARPA funds by December 2024. It now faces a [pending deadline](#) to spend down remaining funds by December 2026 or lose the funding. For an overview of how Boston appropriated its ARPA funds, please see the Research Bureau’s *Special Report* [here](#).

Education Stabilization Fund – A major change in FY25 expenditures came in the form of another COVID-19 related program, the Education Stabilization Fund (the “Fund”), which is now the second largest expenditure at 14.9% of federal funds. The Fund encompasses four emergency relief programs that assist elementary, secondary, higher education, public and non-public schools, the largest of which is 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, the Fund was the City’s largest expenditure of

federal funds at \$203.8M as the City moved to spend-down funds ahead of the January 2025 ESSER deadline. In FY25, spending on the Fund fell 68.1% (\$138.8M) representing the largest single source of year-over-year decline in spending of federal funds. This decrease, which the Research Bureau



foreshadowed [in its report last October](#), represents the final spending of the \$454M ESSER program.

Education – 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. Spending on Title I, the City’s largest non-COVID-19 grant program, increased by 10.4% (\$6.1M) in FY25 to \$65.0M. Title I supports 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, so that their students can reach state academic standards. The National School Lunch program, which remained relatively stable (-0.3%) from FY24 at \$30.8M or 7.1% of total FY25 federal expenditures, 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. The Special Education Grants to States program, which declined by

1.1% from FY24, came in at \$17.7M or 4.1% of total federal expenditures. The program is funded through the Individuals with Disabilities Education Act (IDEA) and is used to offset the extra costs needed to provide children with disabilities an adequate and equitable public education. In total, these three educational grants and the Education Stabilization Fund made up 41.1% of Boston's FY25 federal grant expenditures.

Housing & Economic Development – Three of the largest grants the City receives are related to housing: the Continuum of Care program; Community Development Block Grants; and the HOME program. Funding for Continuum of Care (\$41.5M or 9.6% of federal expenditures) increased by 2.8% in FY25. The competitive grant program is used to combat homelessness by awarding sub-recipients with funds that can be used to provide homeless individuals with permanent housing, transitional housing, and supportive services. Meanwhile, HOME funds (\$5.6M or 1.3% of federal expenditures) also fell sharply in FY25, down \$3.8M (40.1%) from FY24. These funds 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.

Funding for CDBG (\$22.0M or 5.1% of federal expenditures) fell sharply in FY25, down \$8.8M (-28.5%) from FY24. The program 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. Meanwhile, the Economic Adjustment Assistance program, which totaled just \$949 in FY24, added over \$6.5M in FY25 to become the 9th largest grant program. This program, which is managed by the Office of Workforce Development (OWD), saw substantial growth in FY25 from FY24 because of [the transfer](#) that year of OWD to the City of Boston from the Boston Planning and Development Agency (BPDA) as part of the same legislation that created the Planning Department. This Department of Commerce program offers technical, planning, public works or infrastructure assistance for communities undergoing adverse economic changes.

Preparedness – The Homeland Security Grant program (\$15.6M or 3.6% of federal expenditures), funded by the Department of Homeland Security, works to prevent terrorism and prepare for security threats. The program increased by 12.6% in FY25 (\$1.7M). Spending on the Staffing for Adequate Fire and Safety Response program (\$4.6M or 1.1% of federal expenditures), which had been the 9th largest program in FY24, fell sharply in FY25 (-54.0%) and now ranks 11th. The program provides local fire departments with funds to hire firefighters to enable them to respond more quickly and effectively to emergencies.

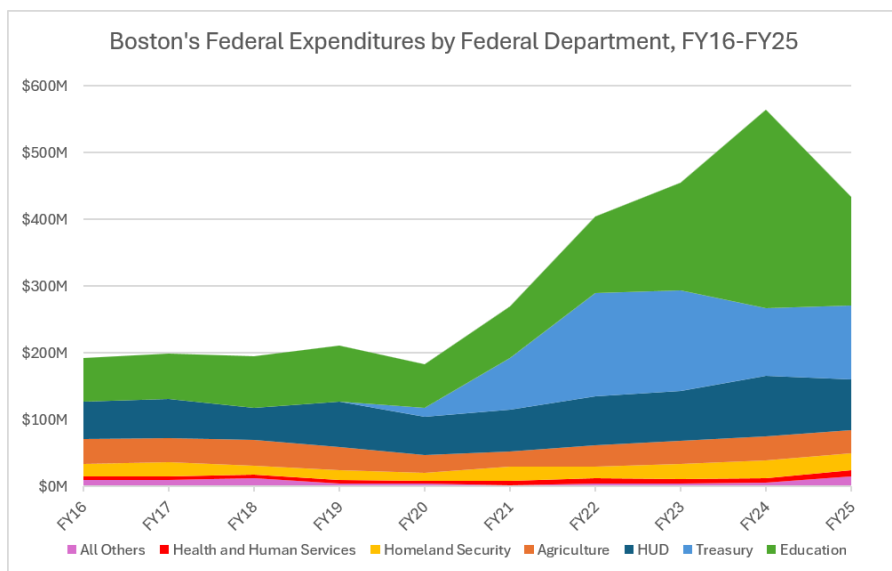
Federal Funds Received by Federal Department – The City of Boston has historically received the overwhelming majority of its federal funds from five federal departments: Education, Housing and Urban Development, Agriculture, Homeland Security, and Health and Human Services. Since FY20, funds received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

In FY25, federal funding coming from the Department of Education fell 45.1% (-\$133.6M), driven primarily due to the decline in ESSER spending. Despite the steep drop, the \$162.6M from the Education Department remains above historical levels, with its inclusion of the final expenditure of \$65.0M in ESSER funds.

Funds from the Treasury Department increased slightly in FY25, up \$8.8M (8.6%) at \$110.5M or 25.5% of total federal expenditures. Funds from the Treasury Department consist almost entirely of COVID-19 relief funds in the form of programs such as ARPA and the Emergency Rental Assistance program. As they are one-time in nature, with rental assistance having ended September 30, 2025, and ARPA facing a spending deadline of December 31, 2026, this influx is expected to disappear in the coming fiscal years.

Funding from the Department of Commerce, which was virtually non-existent (0.0002%) in FY24, accounted for 1.5% (\$6.6M) of total spending of federal funds in FY25 due to the increase in the Economic Adjustment Assistance program. Funding from the Department of Health and Human Services accounted for 2.3% (\$10.1M) in FY25, which was a significant increase (\$3.4M, 51.2%) from FY24.

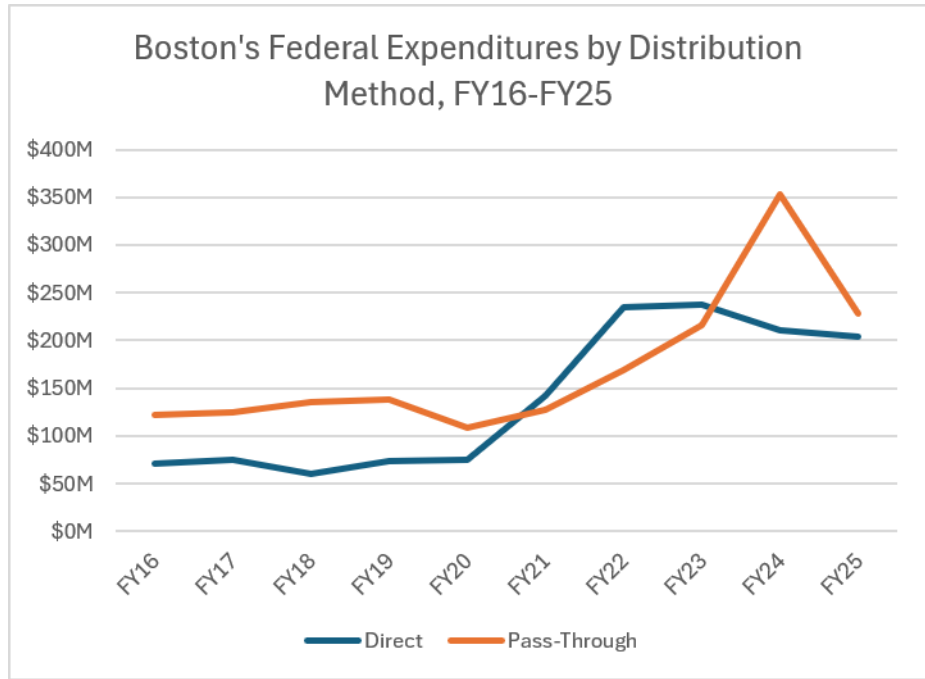
Funding from the Department of Housing and Urban Development fell sharply in FY25, down \$15.4M (-17.0%) from FY24. The drop was primarily due to a decline in CDBG expenditures. Standard (i.e. not related to COVID-19) CDBG funding fell by \$3.3M (-14.6%) from FY24 to FY25. In addition to this, CDBG funding related to COVID-19 fell sharply by \$5.5M (-66.4%) in FY25, leading to



a decline for all CDBG funding of \$8.8M (-28.5%). Additional declines included in the HOME program, which had a decline of \$3.8M (-40.1%). Expenditures from the Emergency Solutions grants program also represented a decrease of \$2.4M (-61.2%), driven by the elimination of COVID-19 funding for this program.

Direct vs. Pass-Through Funds – Last year, the [Research Bureau detailed](#) the ways in which Boston receives federal funds, either directly to the City or first passed-through other entities before reaching Boston. While pass-through funding has exceeded direct funding to the City historically, from FY21 to FY23, direct funding overtook pass-through funding amid a spike in COVID-19 programs like ARPA, before pass-through exceeded direct in FY24. Direct funds decreased from \$210.1M to \$204.4M (-2.7%) from FY24 to FY25. Pass-through funding fell from \$353.3M to \$228.8M (-35.3%),

driven primarily due to the decline in ESSER funding, which flows through the Department of Elementary and Secondary Education (DESE). Pass-through funding constituted a majority of federal expenditures in both FY24 and FY25. 99.0% of pass-through funding comes through Massachusetts state agencies, including DESE, which alone accounts for 85.8% in FY25. As COVID-19 programs come to an end, it would be expected that



this ratio would be similarly restored due to the scope of the City’s non-COVID-19 education grant programs.

Sub-recipients – In FY25, 21.2% (\$92.0M) of federal funds were distributed from Boston to sub-recipients, a slightly higher proportion than the previous year (17.7%). In FY25, over half (53.7%) of federal funds that were distributed to sub-recipients originated from Department of Housing and Urban Development. In FY25, for the first time in at least a decade, funds originating from the Department of Commerce (\$6.2M) and the Department of Labor (\$2.0M) were passed through to sub-recipients. In FY25, \$19.1M originated from the Department of Treasury, with additional grants received from the Health and Human Services, Justice, Homeland Security and Education departments. From FY20-FY25, COVID-19 relief funds in the form of ARPA accounted for an increase in distribution to sub-recipients, as funds were given to local businesses and non-profits to help with the City’s recovery from the pandemic.

FY25 Distribution of Federal Funds Passed to Subrecipients by Federal Department

Department	Distributed to Subrecipients	Federal Expenditures	% of Expenditures to Subrecipients
Housing and Urban Development	\$49.4M	\$75.2M	65.6%
Treasury	\$19.1M	\$110.5M	17.3%
Health and Human Services	\$6.7M	\$10.1M	66.2%
Commerce	\$6.2M	\$6.6M	94.8%
Homeland Security	\$6.4M	\$25.3M	25.2%
Labor	\$2.3M	\$2.7M	85.6%
Education	\$1.8M	\$162.6M	1.1%
Justice	\$153.5K	\$2.4M	6.4%
All Others	\$0.0M	\$37.7M	0.0%
Total	\$92.0M	\$433.2M	21.2%



Looking Ahead – As mentioned above, The City of Boston’s external funding consists of sources from federal, state, and private grants. In the FY27 recommended operating budget, Boston is estimating a decline in external fund spending of \$135.3M (-21.2%) from FY25. From FY20 to FY25, federal funds have ranged from 53.2% to 74.3% of external funds. While the external funds budget does not correlate exactly with the expenditure of federal grants, broad declines in the FY27 budget indicate that the City could be anticipating a drop in federal funding in future fiscal years. Boston Public Schools, which spent \$215.3M in external funding in 2025, is projected to spend \$134.2M in FY27, likely reflecting the loss of ESSER funding the City has anticipated. The Mayor’s Office of Housing, which spent \$85.0M in external funding in FY25, is budgeted to receive \$101.0M in FY27. The Boston Public Health Commission, which expended \$100.9M in external funds in FY25, is budgeted to receive just over half that amount, \$52.4M, in FY27.

Findings

- **Non-COVID-19 Federal Spending** – Non-COVID-19 funding has represented a consistently important part of the City’s budget, ranging from between 4.1% and 6.1% of the all-funds budget over the last decade, and 4.7% in FY25. While overall federal expenditures have primarily been driven by COVID-19 assistance, non-COVID-19 grant spending experienced a substantial increase as well, having grown \$60.1M (31.2%) from FY16-FY25.

The FY25 increase in non-COVID-19 expenditures, driven by programs such as Title I, comes despite high-profile efforts at the federal level to cut these funds nationwide, including the proposed elimination of the Department of Education. While the effort to cut some of these funds, including Title I, was recently rebuffed by Congress, any future cuts to them would have a significant impact to the City’s overall expenditures of federal funds. Of note, the reporting period for these funds goes through June of 2025, meaning that any more recent changes are not reflected in this data. While the growth in non-COVID-19 funds has allowed the City to provide expanded services to residents, their growth has also magnified the potential impact that federal cuts could pose to the City.

- **The End of COVID-19 Programs** – Recent uncertainty at the federal level comes amid the City’s ongoing use of federal funds for its general operating budget, with the share of the all-funds budget funded by federal funds increasing since COVID-19 and peaking at 10.8% in FY24, before declining to 8.0% in FY25. Boston should expect to see further declines in overall available federal funds to expend as federal COVID-19 relief funds come to a close. At the end of the first quarter of 2026, Boston had spent \$477.6M (85.5%) of the \$558.7M it received in ARPA funding, leaving \$81.1M (14.5%) to be expended by December 31, 2026. Other COVID-19 federal grant programs will see a similar spend-down, notably the Education Stabilization Fund, which was the largest grant program in FY24 (\$203.8M) and second largest in FY25 (\$64.5M). This can be expected to drive-down federal assistance levels closer to pre-pandemic averages.
- **Federal Uncertainty and Potential Impacts on the City** – What is not yet known is the full impact that any potential federal cuts will have on the City’s receipt of federal dollars. Because this report shows data through June 2025, more recent changes to federal grant programs would not be captured. In fact, many grant programs that were the subject of

proposed cuts at the federal level in FY26 actually saw increases in FY25 from FY24, such as Title I (increase of \$6.1M) and Continuum of Care (increase of \$1.1M). Additionally, non-COVID-19 grant program spending actually increased in FY25 by 5.3%. However, the City is projecting declines in external funding for FY27, which could indicate an anticipation of a drop in federal funding in future fiscal years.

The City could also experience secondary impacts from the loss of federal funding to the state, which was estimated at [\\$3.7B as of October 2025](#). In the FY27 proposed budget, Boston is expecting to receive an increase of 2.7% in state aid. The FY27 expected increase notwithstanding, the City could experience reductions in state aid or declines in state grants in future fiscal years.

- **City's Ability to Supplant Federal Funds Amid Limited Revenue Growth** – As noted in our [recent report](#), the Mayor is proposing a 2.1% increase to City spending in FY27, the smallest budget increase since FY12. The reasons for this slow revenue growth are primarily tied to a slowdown in construction-related activity, such as new growth and building permits. While this represents a challenge for the City in the current fiscal year, it also limits the City's ability to supplant potential losses in federal revenues. In prior budget cycles, the City started to support certain programming through general funds, including investing heavily in BPS to help offset the loss of ESSER and preserve program continuity. A similar effort could prove to be more of a challenge this year, as the City is constrained by limited local and state revenue growth. As Boston navigates a changing federal landscape, understanding what programs are supported by federal funds and which are potentially at risk will be crucial to planning and protecting against or attempting to offset future reductions in federal revenues to the City.