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Education & Childcare Policy in the Fiscal Year 2026 Enacted Budget

Key Findings

- **Foundation Aid adjustment**: A long-awaited reform of the state's Foundation Aid formula left overall funding virtually flat, increasing total funds by just 0.5 percent. However, funding was redistributed among districts, with New York City seeing a significant decrease of $322 million, counterbalanced by increases for most other districts across the state.

- **Little progress on universal pre-k**: Despite legislative proposals to expand Universal Pre-Kindergarten, the Enacted Budget holds funding flat, ensuring that the program will remain far short of universal.

- **Child Care Assistance Program**: The Enacted Budget adds $400 million in state funds to its childcare subsidy program and requires New York City to spend an additional $275 million in local funding, averting a funding shortfall in the program which would have forced the city to put eligible families on wait lists.

- **Child Tax Credit**: The Enacted Budget adopts a temporary, two-year enhancement to the State's Child Tax Credit, rejecting a permanent, more generous legislative proposal.

- **Public higher education**: Modest funding increases for SUNY will do little to ease growing campus deficits across the system. By contrast, the CUNY system receives stronger year-over-year funding growth.

Introduction

The fiscal year 2026 budget process featured negotiations around major education and child policy matters. Most significantly, lawmakers considered changes to the State's $26 billion Foundation Aid formula, enacting changes that shift substantial funding away from New York City. The Enacted Budget also created a substantial, but temporary, enhancement to the State's Child Tax Credit. During final budget negotiations, lawmakers also committed an additional $675 million in State and New York City funds to shore up the State's childcare subsidy program. Finally, clear needs facing the State's Universal Pre-Kindergarten program and SUNY system were left unaddressed.

Table 1. Enacted Budget policy measures and remaining challenges

	Enacted changes	Remaining challenges
Foundation Aid	Formula changes shift funds from New York City to districts across the state	The Regional Cost Index remains out of date, reducing New York City's funding
Other school aid	Updates to two formulas increase level of other school aid funding	Flat funding for UPK ensures program will remain short of universality
Child Care Subsidies	Additional $675 million in State and City funding will avoid rationing of benefits	New funding is only a stopgap solution; funding level will need to be calibrated in FY27 budget
Child Tax Credit	Enhanced State Child Tax Credit	Only in full effect for two years
Public higher education	Modest funding increase for SUNY and CUNY	Does not solve campus deficits, which are growing across the SUNY systems

Foundation Aid

Foundation Aid, New York's main school aid funding program, is one of the State's largest spending programs, allocating $26 billion to school districts across the state according to a formula set in 2006. The formula was only fully implemented in 2023, by which point many elements were outdated. While there is broad consensus about the need to update the formula, there is acute disagreement over how to do so. The Governor's proposals hold statewide funding flat, but divert substantial funds away from New York City by selectively updating only a few formula elements. The legislature proposed more holistic reforms that would have lifted statewide funding, especially for districts with many English language learners and those with high costs of living. While this would have restored funding to New York City, the Governor's proposals were enacted, constituting a piecemeal formula update that shortchanges the City.

Last year, as part of her fiscal year 2025 Executive Budget, the Governor proposed revisions to the formula that would have reduced annual spending growth by $454 million. These were rejected by the legislature, and the State instead sponsored a study of the formula by the Rockefeller Institute, which released its findings and dozens of recommendations in December 2024.

The fiscal year 2026 Executive Budget included three of the Rockefeller Report's proposals. First, the budget proposed updating the data used to measure the number of students living in poverty from 2000 Census estimates to the most recent estimates. Second, the formula's count of students eligible for free school meals would be replaced by a broader measure of economic disadvantage. Third, the maximum share of school funding contributed by the state would be increased from 91 percent to 93 percent. This change would benefit the lowest-wealth districts.

These changes would not change the overall amount of funding allocated by the formula, but would sharply alter the balance of school aid funding across the state. Most significantly, New York City's allocation would fall by $350 million under the proposed changes—3 percent of its total allocation.[1]

In their budget proposals, both houses of the legislature accepted the executive proposals while adding changes that would have increased Foundation Aid funding. Most notably, the legislative proposals would have shifted funding back to New York City by updating the formula's Regional Cost Index (RCI), which allocates more funding to districts in costlier parts of the state.

Foundation Aid in the fiscal year 2026 Enacted Budget

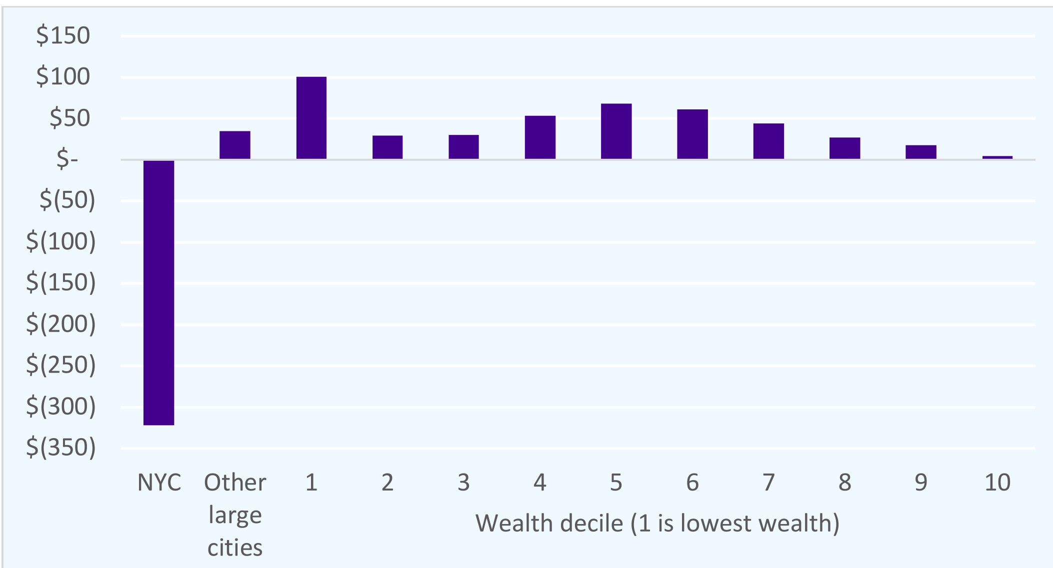
The Enacted Budget largely reflected the Executive Budget's proposals, though it included two changes negotiated with the legislature that increase total Foundation Aid allocated in school year 2025-26 by $138 million to $26.3 billion. The negotiated changes, however, do little to increase New York City's allocation, which will be $322 million lower than it would have been in school year 2025-26 had no formula changes been enacted. Outside the City, funding increases would be broadly distributed, with both the poorest districts and many relatively wealthy districts seeing substantial increases (Figure 1).

[1] FPI discusses Executive Budget proposals in detail in its fiscal year 2026 executive budget briefing: https://fiscalpolicy.org/annual-report-on-the-executive-budget.

Table 2. Change in school year 2025-26 Foundation Aid relative to baseline before Enacted Budget changes; dollars in millions

	Executive	Senate	Assembly	Enacted
Foundation Aid	$25	$544	$594	$138
NYC	$(347)	$(59)	$(2)	$(322)
Other large cities	$21	$46	$56	$34
Rest of State	$352	$558	$541	$425

Figure 1. Foundation Aid after Enacted Budget changes relative to baseline without changes for school year 2025-26, by wealth decile; dollars in millions



English language learners

The Enacted Budget also made changes to the State's Pupil Needs Index (PNI), which allocates greater funding to districts with student populations that need more help. The PNI combines three separate measures—a measure of economic disadvantage, a measure of poverty, and a measure of English language learners (ELL). Historically, poverty and economic disadvantage were weighted more heavily in the formula than ELL. Poverty and economic disadvantage each received a weight of 0.65, meaning that each student included in these measures was allocated 65 percent more funding than the formula would otherwise provide, while ELL was weighted at 0.5.

This year, the Assembly's budget proposal would have equalized these weights by increasing the ELL weight to 0.65. After final negotiations, however, the Enacted Budget increased this funding weight to 53 percent. While this will direct more funding to districts with high levels of ELL students, the three-percentage point increase is just one-fifth of the Assembly proposal and will have a modest effect on overall funding for most districts.

Regional Cost Index

The Enacted Budget increased the formula's Regional Cost Index (RCI), but only for Westchester County. This change is far narrower than those proposed by the legislature, which would have also increased New York City's RCI, fully restoring its funding for the upcoming year to its baseline if no changes were enacted.

The RCI increases allocations for districts in high-cost regions of the state. The State's lowest-wage regions have an RCI of 1.0—districts in these regions are unaffected by the RCI. Higher RCIs increase districts' allocations. New York City has the highest RCI: 1.425, which increases the City's per-pupil Foundation Aid grants by 42.5 percent.

The RCI is based on average wages: high wage regions have higher living costs, and school districts must therefore offer higher salaries. The RCI, however, relies on wage data from 2006. Because the state's regional economic disparities have grown over the intervening two decades, the lack of an update is a disadvantage to high-cost districts, which are clustered downstate.

The RCI's groupings of counties into regions pose a further point of contention. New York City and Long Island are grouped together in the current RCI. Aggregating City and Long Island wages in the RCI calculation disadvantages the City, which has higher wages and costs, and is a boon to Long Island districts. At the same time, the City's costly northern suburbs in Westchester County are part of the Hudson Valley region, which includes lower-cost areas further north, such as Dutchess County—a disadvantage to Westchester districts.

Each house of the legislature proposed different RCI updates. The Senate proposed a narrow update that would separate New York City and Long Island and give an increase only to the City, leaving Long Island at its current level. The Senate would also increase the Hudson Valley's RCI. The Assembly proposed a broader update to the RCI, giving each region either an RCI using updated data or the current one, whichever is higher.

The Enacted Budget's narrow change will increase Westchester's RCI from 1.314 to 1.351—a 3.7 percentage point increase. The failure to update New York City's RCI, despite its growing cost-of-living disparity with the rest of the state is the core driver of the gap between the legislative proposals and Enacted Budget.

Table 3. Comparison of proposed changes to Foundation Aid

Formula element	Description	Executive	Legislative	Enacted
Poverty measure	Funding allocation based on districts' poverty	Update data	Accept executive proposal	Enact executive proposal
Economic disadvantage measure	Funding allocation based on student economic disadvantage	Change from free school meal eligibility to broader measure	Accept executive proposal	Enact executive proposal
Maximum state share	State share of school funding for lowest-wealth districts	Increase from 91% to 93%	Accept executive proposal	Enact executive proposal
Guaranteed minimum increase	Minimum funding increase for upcoming school year	2%	3%	Enact executive proposal
English language learners (ELL)	Funding allocation to ELL students	No proposal	Assembly: Increase ELL weight from 50% to 65%	Increase ELL weight from 50% to 53%
Regional cost index (RCI)	Funding allocation to districts in costly regions	No proposal	Update data	Increase RCI only for Westchester County

Other School Aid

In addition to $26.3 billion in Foundation Aid, New York State allocates a further $10.8 billion in school aid through an array of other funding formulas. Two of these formulas were updated by final budget negotiations and included in the Enacted Budget. Together these changes drive a $98 million increase in other school aid for school year 2025-26, relative to its level if no changes were enacted.

The first formula, charter school transitional aid, allocates funding to districts with substantial increases in charter school enrollment. The Enacted Budget enhances these allocations for smaller districts. Crucially, the program still does not fund New York City despite legislative proposals to include it.

The second formula raises reimbursement rates for districts' career education programs. New York City does benefit from this program, and will receive an increase from this change. As a result, the net effect of these non-Foundation Aid changes is balanced across districts, with the City receiving a $42 million increase in other school aid—in line with its share of the state population.

Universal Pre-Kindergarten

Over the last two decades, the State has invested in expanding its Universal Pre-Kindergarten program. However, outside of New York City, the program remains a false promise, falling far short of actual universality. Many districts, especially in costly areas, have not started UPK programs because State funding would not be adequate to properly fund them. Only 60 percent of four-year-olds outside New York City are enrolled in a UPK program and nearly no three-year-olds are supported. While fulfilling the promise of true UPK has been a priority for many lawmakers, the Enacted Budget fails to move the program forward.

The executive budget proposed maintaining UPK funding at its current level, $1.2 billion. This funding level supports UPK seats for districts that already offer the service is not sufficient to expand the program. UPK grants currently provide funding per pupil enrolled in a district's program, offering a minimum of $5,400 per pupil per year. This level is too low for many districts, especially those in high-cost areas, that do host UPK programs to fund enough seats to meet demand, and fails to expand the program to districts that do not host seats.

In their budget proposals, both houses proposed expanding UPK funding. The Assembly would increase the minimum per pupil grant from the current $5,400 to $10,000. The Senate would raise it to $6,700. These higher minimum grants better reflect the cost of providing UPK for districts that already participate in the program. The Assembly's plan would add $302 million, while the Senate's would add $150 million. Further, the Assembly proposed creating UPK expansion grants totaling $25 million. These grants would allow districts that don't currently participate in UPK to join the program at the new $10,000 per pupil funding level.

These proposals were not included in the Enacted Budget, which held UPK funding flat. This will ensure that the program will continue to fall far short of universal coverage outside New York City.

Child Care Subsidies

In recent years, New York has enacted substantial expansions to its Child Care Assistance Program (CCAP), which subsidizes childcare for low- and moderate-income families. Most importantly, lawmakers increased the program's income eligibility threshold in fiscal years 2022 and 2023, nearly doubling the share of children in the state who are eligible for support to 46 percent. However, as the program's enrollment has risen, the State has underestimated the spending required to support all the families eligible to participate, creating funding imbalances across the state.[2] The Enacted Budget provides a stopgap appropriation to head off shortfalls over fiscal year 2026, though next year's budget will need to calibrate funding to ensure the program remains adequately funded.

While CCAP funding shortfalls are a statewide problem, they are especially severe in New York City. Only four months into the fiscal year 2025 funding cycle, the City had already spent half of its annual allocation. This imbalance prompted the City to begin putting eligible families on waitlists in April 2025. Waitlists are an immediate hardship for families that encounter them, jeopardizing families' ability to seek employment. They also represent a setback for the movement toward universal childcare: if the State fails to support already eligible families, it is unlikely to continue expanding eligibility.

The Executive Budget proposed holding CCAP funding flat in fiscal year 2026, raising the likelihood that already-developing shortfalls will get worse in the year ahead. However, the scale of the problem only became clear during the State budget process, with the City requesting an additional $1.1 billion

[2] FPI discusses CCAP shortfalls in depth in its April 2025 brief: https://fiscalpolicy.org/wp-content/uploads/2025/04/2025.04.09-Ensuring-Adequate-Childcare-Funding.pdf.

for fiscal years 2025 and 2026. The Assembly proposed an additional appropriation of $213 million in its one-house budget.

In our analysis, FPI assessed that $700 million would likely be sufficient to avoid waitlists if the funding was made available immediately, rather than in October 2025, as would happen in the usual CCAP funding cycle. Importantly, this funding would be a stopgap solution, providing enough funding for the next twelve months. If enrollment continues to grow briskly, it is likely that further funding will be necessary in next year's state budget.

The Enacted Budget came close to this level of funding, committing $675 million to CCAP for fiscal year 2026. The State appropriated $400 million, of which $350 million will be earmarked for New York City. The budget also increases New York City's required local funding contribution by $275 million, to $328 million. The City will need to appropriate this funding as part of its June 2025 Adopted Budget or risk having State funding withheld. The budget does not change other localities' required contributions. Because the State appropriations represent only a temporary solution, lawmakers will have to assess enrollment growth over the next year and calibrate CCAP funding accordingly to ensure the program is adequately funded and supporting all eligible New Yorkers.

Empire State Child Credit

Cash transfers to low- and moderate-income families with children have become a central feature of anti-poverty and affordability policy across the U.S. In New York, the Governor empaneled the Child Poverty Reduction Advisory Council (CPRAC), which was tasked with studying and making recommendations to reduce child poverty by 50 percent. In its December 2024 progress report, CPRAC made a series of recommendations, which included expanding the State's Child Tax Credit, the Empire State Child Credit (ESCC). This year, the Governor proposed an enhancement to the ESCC. While the enhancement was more modest than that proposed by CPRAC and the legislature, the Governor's proposal was adopted in the Enacted Budget.

The Executive Budget's proposed ESSC enhancement has three elements: 1) eliminating the phase-in that excludes no- and very low-income households from receiving benefits; 2) increasing maximum benefits from $330 per child to $1,000 for children under 4 and $500 for children between 4 and 17; and 3) lower the phase-out rate from $50 per $1,000 of income earned above the phase-out threshold ($110,000 for married joint filers) to $16.50 per $1,000 earned above the same thresholds. This change allows families with two children earning up to $200,000 to earn some benefits, compared to $120,000 prior to the change. The Executive proposal would only be temporary, phasing in in 2025 and only remaining in full effect for two years before expiring at the end of 2027.

The legislature proposed the more generous Working Families Tax Credit (WFTC), which would replace the ESCC with a program that provides a maximum benefit of $1,600 per child—compared to the $500 to $1,000 under the Governor's proposal—and a minimum $100 per child credit to all taxpayers regardless of income. As such, the WFTC would both provide more support to families eligible for the Governor's proposal and provide some support to all families with children in the state. Critically, the legislative proposal would have phased in over five years at which point it would be permanent.

CPRAC proposals were also more ambitious than the Governor's ESCC proposal. CPRAC provided a range of options, recommending the maximum benefit for young children is increased by up to $2,000 and up to $1,500 for older children. These proposals would also be permanent.

The Enacted Budget adopted the Governor's proposed ESCC enhancement. By establishing a temporary enhancement, the Enacted Budget ensures that the ESCC will again be subject to debate in two years.

Public Higher Education

Each year, New York State appropriates funding for operating expenses at its two public higher education systems: the State University of New York (SUNY) and City University of New York (CUNY). SUNY's status quo funding will be inadequate to address deficits facing many campuses. By contrast, CUNY's funding in part reflects the cost of collective bargaining wage increases, reflecting the actual costs of operating the system.

The Enacted Budget provided a modest $148 million, or 3.8 percent, funding increase for SUNY. Final negotiations added $17 million to this funding increase as part of the Enacted Budget. Crucially, however, all of this additional funding is directed to university-wide programs controlled by SUNY's central administration, not direct campus operating support. This affords SUNY trustees, who are appointed by the Governor, discretion over the use of funds. As such, this funding does not represent a solution to the operating deficits facing many SUNY campuses. As these campus-level shortfalls worsen, campuses will be increasingly forced to cut back on program offerings, threatening the quality and scope of public higher education.

The Executive Budget proposed increasing fiscal year 2026 CUNY funding by $103 million from the prior year. This 3.8 percent increase largely reflected the State's support for senior college operating costs required by State law. The Enacted Budget appropriation, however, is $42 million above the Executive Budget proposal, reflecting increased wages associated with collective bargaining agreements.

Both SUNY and CUNY also benefit from the New York Opportunity Promise Scholarship, which will provide free tuition to adults enrolling in community college programs in high demand fields. The program's $47 million appropriation is $12 million above the Executive Budget proposal, allowing the program to support more students.

Table 4. Public higher education funding in the fiscal year 2026 budget debate; dollars in billions

	FY 2025	FY 2026 Executive	Senate	Assembly	Enacted
SUNY	$3.88	$4.03	$4.06	$4.14	$4.05
% change from FY25		*3.8%*	*4.5%*	*6.7%*	*4.2%*
CUNY	$2.12	$2.22	$2.26	$2.32	$2.27
% change from FY25		*4.8%*	*6.3%*	*9.1%*	*6.8%*