JULY 8, 2020

Legislation adopted in connection with the Enacted Budget grants the Budget Director the authority to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by the Division of the Budget ("DOB"). In addition, the Budget Director is authorized under section 1(f) of Chapter 53 of the Laws of 2020, to withhold all or some of specific local aid payments during FY 2021 if the budget is deemed unbalanced, and if the Budget Director deems, in his sole discretion, that such withholding is necessary to respond to the direct and indirect economic, financial, and social effects of the COVID-19 pandemic (the "Reduction Authority"). The Annual Information Statement dated June 3, 2020 (the “AIS”), reported that the Enacted Budget Financial Plan for FY 2021 reflected $8.2 billion in recurring reductions in aid-to-localities disbursements that were expected to be implemented pursuant to the budget-balance and withholding authority described above. The AIS also noted that the ultimate size of any permanent reductions would depend in part on the availability of unrestricted Federal aid.

In the AIS, DOB said that it planned to transmit to the Legislature a “detailed plan itemizing the specific appropriations and disbursements that will be reduced or withheld ... in the first quarter of FY 2021.” At the time the AIS was released, it was expected that the State might obtain clearer guidance as to any unrestricted Federal aid that Congress was likely to approve in response to the COVID-19 pandemic and the resulting loss of receipts from the abrupt and widespread disruption to economic activity caused, in part, by measures to protect public health and safety.

It now appears likely that Congress will not begin discussions on additional stimulus measures until late July or August. Therefore, the earliest that DOB now expects to transmit a detailed aid-to-localities reduction plan to the Legislature is late in the second quarter of the State’s FY 2021.

In the interim, without assurance of Federal aid, DOB has begun withholding a minimum of 20 percent of most local aid payments to achieve the cash flow savings anticipated in the Financial Plan pursuant to the Reduction Authority. As of June 30, 2020, DOB had withheld roughly $360 million pursuant to the Reduction Authority. In addition, DOB is withholding a range of other payments, including local aid payments that do not have specific statutory payment dates and liabilities, transfers to other funds, and general salary increases that were scheduled to take effect on April 1. DOB estimates that such withholds have totaled approximately $1.2 billion as of the date of this AIS Supplement. It is expected that, in the absence of unrestricted Federal aid, DOB will continue to withhold a range of payments in the second quarter of FY 2021.

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