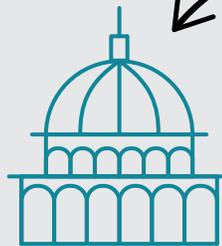


FEDERAL FUNDING

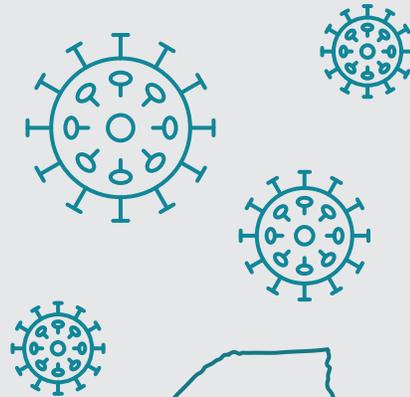
Governor Cuomo **leads the fight** against the unfair federal cap on state and local tax deductibility that costs New York taxpayers **up to \$15 billion annually.**

New York **continues to be the nation's number one donor** state, with taxpayers sending **\$22.8 billion**

more to the federal government than the state gets back.



Because of federal inaction, New York became a prime entry point for coronavirus infections and experienced significant economic damages.



\$15 BILLION BUDGET GAP



Budget Highlights

K-12 Education. New York State is expected to receive \$5.5 billion in aid for elementary and secondary education, including \$1.2 billion in federal CARES Act funding provided for schools in March 2020, and \$4.3 billion in education funding provided in December 2020 through the Coronavirus Response and Relief Supplemental Appropriations Act.

Housing Assistance. An estimated \$2 billion in housing assistance funds is being utilized by New Yorkers across multiple programs such as the Housing Assistance Grant, Public Housing programs and the Emergency Rental Assistance Program.

Food Assistance. An estimated \$1.7 billion in food assistance is being utilized by New Yorkers across multiple programs such as SNAP, The School Lunch Program, and the Emergency Food Assistance program.

The Executive Budget shows the damage done to New York State's finances by the pandemic that the Federal government failed to stop. The Federal government has delivered resources to offset some additional spending undertaken by the State to combat the pandemic, however, it has done nothing to offset the devastating revenue losses caused by the pandemic's ravaging of the economy. Still, the Budget utilizes Federal resources to support New Yorkers and employs Federal funds for programs at both the State and local level, including health care, human services, education, public protection, and other services. By managing the complex fiscal relationship between the State and the Federal government, the Executive Budget plays an integral role in maintaining services for New Yorkers during these unprecedented times.

Overview

The Federal government influences the economy and budget of states through grants, direct spending on its own programs, such as Medicare and Social Security, and through Federal tax policy. Federal policymakers place conditions on grants, mandate certain state actions, preempt state laws, change state and local tax bases and taxpayer behavior through tax policies, and influence industries through regulatory action.

Federal funding predictability, and otherwise sound management of the national economy are of crucial concern to States' budgets – especially in New York, where citizens paid nearly \$23 billion more in Federal taxes in FFY 2019 than they receive back in Federal investment.

New York is one of 10 states with a “negative” balance of payment with the Federal government, per analysis by the Rockefeller Institute of Government using data from the 2019 Federal fiscal year. The \$22.8 billion net contribution to the Federal government made by New Yorkers and the New York economy is the largest of any state and more than the combined net contributions of 2nd ranked New Jersey and 3rd ranked Massachusetts. New York's people and economy paid the Federal government \$1,172 more per person than they received. By contrast, the average state experienced a positive balance of payments of about \$2,412 per capita. New York's negative balance of payments is driven primarily by Federal taxes, rather than spending. Payments from New York to the Federal government were \$13,343 per capita, or approximately \$3,339 higher than the national average, and

Federal spending in New York was \$185 lower than the U.S. average, adding to the revenue disparity.

While New York's balance of payments improved in absolute and per capita terms from the prior year, it continued to move further away from the national average. In other words, relative to other states, New York's balance of payments is getting worse and not better. New York's taxpayers remain an outsized supporter of Federal spending programs, despite having significant programmatic needs.

As with any state, Federal funding is an essential component of New York's Budget, totaling \$74.2 billion – approximately one-third of anticipated All Funds spending in FY 2022.

Federal Funding

Federal funds are predominantly targeted at programs that support the most vulnerable New Yorkers and those living at or near the poverty level, such as Medicaid, Temporary Assistance for Needy Families (TANF), Elementary and Secondary Education Act (ESEA) Title I grants, and Individuals with Disabilities Education Act (IDEA) grants. Other Federal resources are directed at infrastructure and public protection. The major Federal resources expected to be utilized by the FY 2022 Budget, including COVID-19 relief funds, are:

- **Medicaid** (\$48.1 billion). Federal Medicaid dollars help support health care for nearly seven million New Yorkers, including more than two million children. Medicaid is the single largest category of Federal funding, representing nearly two-thirds of Federal resources anticipated in the FY 2022 Budget.
- **Other Health and Human Services Programs** (\$14.1 billion). Support from the Federal government provides for a variety of other health programs administered by the Department of Health (DOH), as well as programs administered by the Office of Temporary and Disability Assistance (OTDA), the Office of Children and Family Services (OCFS), Homes and Community Renewal (HCR), and the Department of Labor (DOL), among others. Specific programs include the Essential Health Plan, TANF-funded public assistance benefits, Flexible Fund for Family Services, Home Energy Assistance Program (HEAP) benefits, Supplemental Nutrition Assistance Program (SNAP) administrative costs, Child Support administrative costs, Foster Care, and the Unemployment Insurance Program administrative costs.
- **Education** (\$7.7 billion). K-12 education, special education and higher education receive Federal support. Similar to Medicaid and the human service programs, much of Federal education funding received is directed toward vulnerable New Yorkers, such as students in high poverty schools or those with disabilities.
- **Transportation** (\$1.6 billion). Federal resources support infrastructure investments in highway and transit systems throughout the state, including funding participation in ongoing transportation capital plans.
- **Public Protection** (\$1.3 billion). Federal funding supports various programs and operations of the State Police, the Department of Corrections and Community

Supervision, the Office of Victim Services, the Division of Homeland Security and Emergency Services, and the Division of Military and Naval Affairs. Federal funds are also passed on to municipalities to support a variety of public safety programs.

- **Coronavirus Relief Fund** (\$1.2 billion). The balance of the Coronavirus Relief Fund will be expended in FY 2022 as a result of the extension of funding availability included in the Coronavirus Response and Relief Supplemental Appropriations Act, 2021.
- **All Other Funding** (\$0.1 billion). Several other programs in the Economic Development, Mental Hygiene, Parks and Environmental Conservation, and General Government Areas are also supported by Federal resources.

Federal Funding Trends

The \$74.2 billion in Federal funds expected to be disbursed by New York State in FY 2022 represents a \$4.2 billion decrease relative to anticipated FY 2021 disbursements. This decrease primarily reflects the expenditure of one-time Federal COVID-19 relief funds in FY 2021.

Federal receipts have represented approximately one-third of all state budget revenues in recent years, but are expected to account for nearly forty percent of revenues in FY 2022.

Federal Disbursements by Program Area (Thousands of Dollars)					
Category	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Medicaid	37,559,411	40,181,451	40,920,026	49,212,175	48,085,820
Health & Social Welfare	12,048,799	12,640,829	12,314,246	16,621,141	14,129,798
Education	3,741,623	4,425,526	4,101,598	5,067,488	7,700,520
Transportation	1,688,506	1,706,429	1,645,979	1,645,416	1,572,994
Public Protection	1,568,331	1,307,435	1,547,460	1,731,903	1,333,424
All Other	199,702	155,268	157,577	137,919	144,951
Coronavirus Relief Fund	-	-	-	3,946,794	1,193,258
Total	56,806,372	60,416,938	60,686,886	78,362,836	74,160,765

Education funding increases \$2.6 billion in FY 2022, primarily resulting from Federal aid included in the most recent COVID-19 relief law.

In FY 2020, Federal disbursements by the State for health and human services, including Medicaid represented approximately 88 percent of total Federal disbursements. In FY 2022, the percentage is expected to decrease to approximately 84 percent reflecting increased education expenditures and the Coronavirus Relief Fund.

Responding to COVID-19

To date, the Federal government has enacted five laws with COVID response funds for state and local governments, the most recent being signed into law on December 27, 2020.

Order #	Name	PL #	Enactment Date
Bill 1	Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020	PL 116-123	3/6/2020
Bill 2	Families First Coronavirus Response Act	PL 116-127	3/18/2020
Bill 3	CARES Act	PL 116-136	3/27/2020
Bill 4	Paycheck Protection Program and Health Care Enhancement Act	PL 116-139	4/24/2020
Bill 5	Portions of Consolidated Appropriations Act, 2021	PL 116-260	12/27/2020

These five laws are expected to generate \$27.1 billion to NYS to fund its COVID-19 expenses, including State agencies and other organizations such as HRI.

Estimated Federal COVID-19 Relief in New York by Programmatic Area & Primary Recipient						
	New York State	New York Authorities	Local Governments	Healthcare Providers	Airports, Private Entities, Individuals & Other	Total Award
	(\$ in millions)	(\$ in millions)	(\$ in millions)	(\$ in millions)	(\$ in millions)	(\$ in millions)
Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020						
Epidemiology	34	-	25	-	-	59
Healthcare	6	-	-	-	-	6
Subtotal	40	-	25	-	-	65
Families First Coronavirus Response Act						
Labor	4,265	-	-	-	42,600	46,865
eFMAP	5,564	-	-	-	-	5,564
Agriculture	-	-	-	-	224	224
Other	20	-	-	150	0	170
Subtotal	9,849	-	-	150	42,824	52,823
CARES Act						
Business	-	-	-	-	57,667	57,667
Recovery Rebate	-	-	-	-	16,000	16,000
Healthcare	3	-	1	11,763	86	11,854
Coronavirus Relief Fund	5,136	-	2,408	-	-	7,543
Transportation	47	4,427	-	-	411	4,885
Education	1,781	-	-	-	446	2,227
Food	362	-	-	-	850	1,212
Housing	61	198	453	-	-	711
Community Development	214	-	349	-	-	563
Other	999	-	52	-	397	1,449
Subtotal	8,603	4,624	3,263	11,763	75,857	104,111
Paycheck Protection Program and Health Care Enhancement Act						
Epidemiology	704	-	809	-	-	1,514
Subtotal	704	-	809	-	-	1,514
Coronavirus Response and Relief Supplemental Appropriations Act, 2021						
Recovery Rebate	-	-	-	-	9,700	9,700
Education	5,344	-	-	-	610	5,954
Transportation	429	4,329	-	-	105	4,863
Epidemiology	740	-	555	-	-	1,295
Housing	801	-	482	-	-	1,282
Other	621	-	9	10	509	1,149
Subtotal	7,935	4,329	1,046	10	10,924	24,244
Grand Total	27,131	8,953	5,144	11,924	129,606	182,756

Note: A significant portion of funds awarded to New York State will be passed through to others, such as K-12 Education funding and the local Share of the enhanced FMAP. Some of the funds awarded to New York State do not flow through the financial plan, such as aid to SUNY and CUNY. All PPP funding shown under The CARES Act. Supplemental unemployment assistance, including FEMA Lost Wage Assistance shown under The Families First Coronavirus Response Act.

This funding will support state efforts to combat the pandemic, as well as provide needed funds to schools, healthcare, local governments and others that provide services for the most vulnerable populations. Numerous New York stakeholders are expected to receive Federal aid directly and via the State as a result of the COVID Relief laws.

Major components of COVID-19 relief include the following:

- **Coronavirus Relief Fund.** The CARES Act established the \$150 billion Coronavirus Relief Fund (CRF) to provide payments to State, Local, and Tribal governments navigating the impact of the COVID-19 pandemic. U.S. Department of Treasury awarded a total CRF payment of \$7.5 billion to New York. Of that, the State received \$5.1 billion, with the remainder distributed among seven eligible units of local governments across the State.
- **Testing & Tracing Funds.** New York State has developed a nation-leading testing program, conducting over 200,000 tests per day, among the most in the U.S., and implemented a statewide contact tracing program, to detect and mitigate the spread of Covid-19. The State's effort in these areas is supported by \$1.4 billion worth of awards made by the Federal government.
- **Enhanced FMAP.** The enhanced Federal Medical Assistance Percentage (eFMAP) was included in The Families First Coronavirus Response Act (FFCRA) and increased the FMAP by 6.2 percent for the duration of the Public Health Emergency.
 - New York is projected to receive a total of \$5.4 billion in eFMAP (\$4.5 billion State Share; \$969 million Local Share) and \$120 million for CHP assuming the Public Health Emergency remains in place until the second quarter of CY 2021.
- **FEMA Funding.** The Federal government has made FEMA Disaster Assistance available to combat the COVID-19 pandemic. The FEMA Disaster Assistance program is expected to support the State for costs associated with COVID-19-emergency protective measures.
- **K-12 Education.** New York State is expected to receive \$5.5 billion in aid for elementary and secondary education, including \$1.2 billion in federal CARES Act funding provided for schools in March 2020, and \$4.3 billion in education funding provided in December 2020 through the Coronavirus Response and Relief Supplemental Appropriations Act. Schools may generally use these funds for broad purposes, including general operating and pandemic-related costs.
- **Higher Education.** New York's colleges are expected to receive \$2.6 billion, including \$991 million in federal CARES Act funding and \$1.6 billion through the Coronavirus Response and Relief Supplemental Appropriations Act. This funding provides financial aid to students and operating support to help colleges manage the impact of the pandemic.
- **Unemployment & Labor Supports.** New York State has paid more than \$61 billion in benefits to over 4 million New Yorkers - nearly 29 typical years' worth of benefits.
 - The State Department of Labor administers programs include Pandemic Unemployment Assistance, which provides benefits for those not covered by traditional state unemployment insurance; Pandemic Emergency Unemployment Compensation, which provides additional weeks of benefits after an individual exhausts the 26 weeks of state unemployment insurance; and Federal Pandemic Unemployment Compensation, which provides all New Yorkers receiving unemployment benefits an additional \$300 weekly payment.

- **Food Assistance.** An estimated \$1.7 billion in food assistance is being utilized by New Yorkers across multiple programs such as SNAP, The School Lunch Program, and the Emergency Food Assistance program.
- **Housing Assistance.** An estimated \$2 billion in housing assistance funds is being utilized by New Yorkers across multiple programs such as the Housing Assistance Grant, Public Housing programs and the Emergency Rental Assistance Program.
- **Transportation.** New York State, Transit Authorities and Airports are expected to utilize approximately \$9.7 billion in COVID-19 relief, with most of the funds being directed toward the Metropolitan Transit Authority (MTA).

President-elect Biden has announced a \$1.9 trillion COVID-19 relief & stimulus proposal that includes aid for state & local governments, education, testing & tracing, vaccine distribution, enhanced food aid, additional unemployment aid, and direct aid to individuals and businesses. Initial estimates indicate the proposal would drive \$110 billion in aid to the New York State economy, including \$29 billion for New York State.

Federal Risks

The amount and composition of Federal funds received by the State has changed over time as a result of legislative and regulatory actions at the Federal level and will likely continue to change in the coming year. Notable areas with potential for change include health care, human services and infrastructure policy. Any reductions in Federal aid could exacerbate New York's already high Federal balance of payments deficit. New York already has the largest absolute balance of payments deficit among all states, sending nearly \$23 billion more to the Federal government in Federal tax revenue than received back in Federal spending in Federal FY 2019, according to a Rockefeller Institute analysis.

Notable Federal risks include:

- **Additional COVID-19 Relief.** New York State needs \$15 billion in addition to funds for local governments to close its deficit caused by revenue losses resulting from the Pandemic. Without these funds necessary State & local services will be in jeopardy.
- **FEMA Match.** The current 75 percent match leaves the State and local governments subject to significant financial impacts. Increasing the match to 100 percent will avert these impacts.
- **Vaccine Distribution.** The Federal government must increase the pace of vaccine distribution to bring the pandemic to an end. The State's economy and revenues cannot completely recover until COVID-19 is abated.
- **MTA Congestion Pricing.** The Federal Highway Administration has delayed approval of the MTA's Congestion Pricing plan by over 18 months. Continued delay of this approval would cost the MTA \$1 billion in annual revenues.
- **Surface Transportation Reauthorization.** The Fixing America's Surface Transportation (FAST) Act, which funds Federal highway, transit, intercity rail, freight, highway traffic

safety, and motor carrier safety programs is set to expire on September 30, 2021. In FFY 2021 the State and State Transit Authorities are expected to receive \$3.3 billion in highway and transit funding alone. This funding will be at risk if the Federal government does not act to capitalize the Federal Highway Trust Fund and ensure that an extension of current law or a new authorization is in place prior to October 1, 2021.