



FEDERAL AID & RECEIPTS



Governor Hochul’s FY 2025 Executive Budget continues the State’s commitment to responsibly administering Federal funds and is integral to managing the complex fiscal relationship between the State and the Federal government. The Executive Budget seeks to ensure Federal funds meant to support the most vulnerable New Yorkers are effectively utilized and recent Federal investments in energy, infrastructure, and advanced manufacturing are leveraged to meet State goals.

OVERVIEW

Federal funds account for nearly 40 percent of the New York State budget in FY 2024 and are expected to fall to about 38 percent in FY 2025. This decrease in the share of Federal funds expended illustrates the expiration of one-time Federal COVID relief funds.

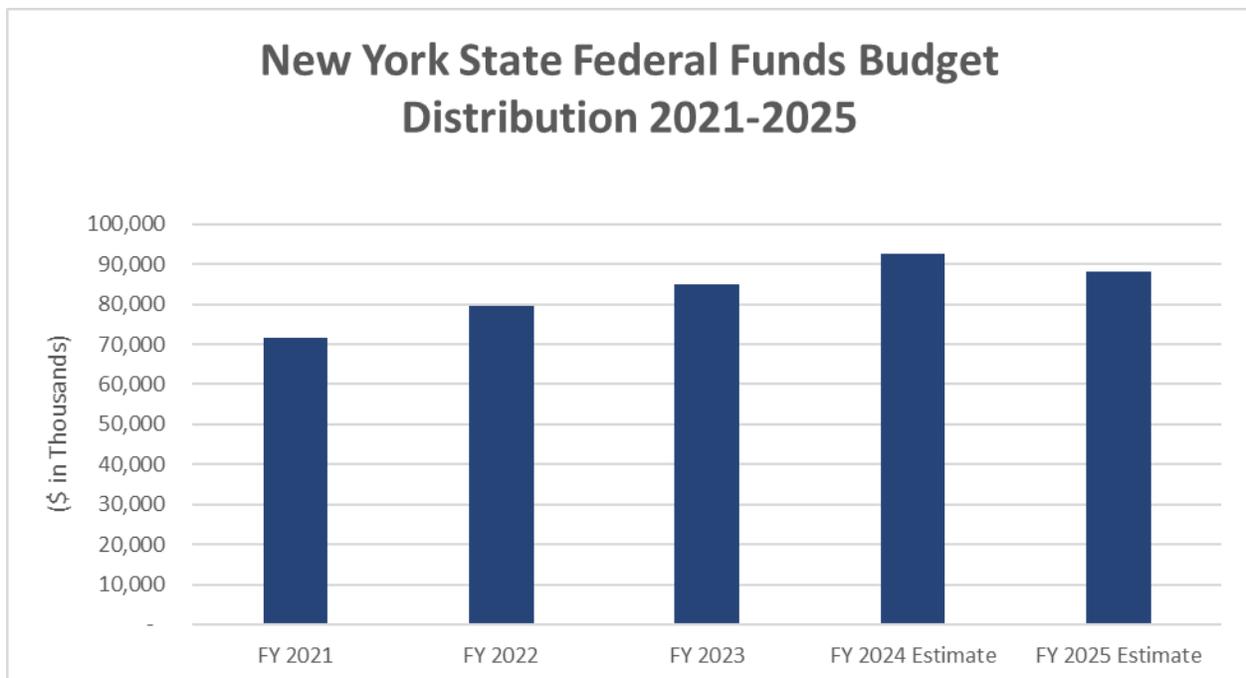
The Department of Health is the largest recipient of Federal funds, primarily due to Medicaid. In addition to health care, Federal resources are utilized to fund transportation, education, public protection, human services, and a number of other services.

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 Federal resources expected to be utilized in FY 2025 include:

- **Medicaid (\$52 billion).** Federal Medicaid dollars help support health care for more than 9 million New Yorkers, including more than 2 million children. Medicaid is the single largest category of Federal funding, representing 59 percent of Federal resources anticipated in the FY 2025 Executive Budget.
- **Other Health and Human Services Programs (\$20.7 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 Enforcement, Foster Care, and the Unemployment Insurance Program.
- **Education (\$8.6 billion).** K-12 education, special education, and higher education receive Federal support. Similar to Medicaid and other human service programs, much of Federal education funding received is directed toward vulnerable New Yorkers, such as students in high poverty schools, those with disabilities, and college students with exceptional need.
- **Transportation (\$2.8 billion).** Federal resources support infrastructure investments in highway and transit systems throughout the state, including funding participation in ongoing transportation

capital plans.

- **Public Protection (\$2.8 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 local and regional public safety programs.
- **All Other Funding (\$1.2 billion).** Several other programs in the economic development, mental hygiene, parks and environmental conservation, and general government program areas are also supported by Federal resources.

| Federal Disbursements by Program Area (Millions of Dollars) | | | | | |
|---|---------------|---------------|---------------|------------------|------------------|
| Category | FY 2021 | FY 2022 | FY 2023 | FY 2024 Estimate | FY 2025 Estimate |
| Medicaid | 45,054 | 48,103 | 53,166 | 54,946 | 52,027 |
| Health & Social Welfare | 16,390 | 17,203 | 16,328 | 19,069 | 20,724 |
| Education | 3,688 | 7,518 | 9,307 | 9,362 | 8,616 |
| Transportation | 1,633 | 2,027 | 1,851 | 2,645 | 2,847 |
| Public Protection | 4,735 | 3,575 | 3,337 | 4,651 | 2,820 |
| All Other | 186 | 1,057 | 919 | 2,087 | 1,204 |
| Total | 71,686 | 79,483 | 84,908 | 92,760 | 88,238 |

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

In 2021, New York State and its localities were allocated \$23.5 billion through the State and Local Fiscal Recovery Funds (SLFRF) implemented by the U.S. Department of Treasury (U.S. Treasury) under the American Rescue Plan Act (ARP). Of the total funding, New York State received \$12.7 billion in aid, and nearly \$800 million in additional aid to distribute to localities in the State that did not receive aid directly from the U.S. Treasury.

To date, the State has utilized \$6.85 billion of its award and completed the distribution of the nearly \$800 million to qualifying localities across FYs 2021 and 2022. The State is scheduled to expend the remainder of its \$12.7 billion award by FY 2025 in accordance with the table below.

This Federal funding plays a critical role in maintaining the State’s fiscal position as New York continues to recover from the COVID-19 pandemic.

The funds have been used to provide essential government services and support the individuals, businesses, and communities that suffered during the COVID-19 pandemic. Pandemic-recovery programs that utilized SLFRF in FY23 include Restaurant Resiliency (\$750 thousand), Small Business Recovery Grants (\$221 million), Pandemic Rental Assistance Grants (\$149 million) and the Substantially Dedicated Public Health and Safety Workforce (\$1.375 billion). Additionally, \$604 million was used to continue the provision of critical government services. Through these efforts, SLFRF assisted 9,944 small and micro businesses, 14,671 low-income or minority households, 22,390 full-time public health and safety workers, and helped to distribute 1 million meals to those in need across the State.

In FY 2024, New York State will utilize \$2.25 billion to continue critical government services central to supporting the State’s recovery from the COVID-19 pandemic.

In addition to the SLFRF, New York continues to centrally manage FEMA reimbursement for COVID-19 related expenses for State agencies, departments, and public authorities and maintains strong internal controls and processes to mitigate the risk of inappropriately claimed expenses and audit disallowances.

RECENT FEDERAL ACTIONS

Infrastructure Investment and Jobs Act

The Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL) was signed into law on November 15, 2021. Nationwide, the BIL/IIJA provides \$550 billion in Federal funding for infrastructure projects and is expected to fund an estimated two million jobs per year. Across the United States, BIL/IIJA is providing increased funding for infrastructure in cities and villages. New York State’s local governments will use this funding to support overdue infrastructure projects – including transportation networks, water systems and broadband capabilities.

New York expects to receive more than \$13.5 billion for Federal-aid highway apportioned programs and bridge replacement and repairs, \$9.8 billion over five years for improvements to public transportation, \$175 million to build a network of electric vehicle charging stations (EV chargers), and \$2.6 billion to improve water infrastructure to ensure clean, safe drinking water is available in all communities, among other fundamental infrastructure projects.

| State and Local Fiscal Recovery Funds New York State Utilization (millions of dollars) | | | |
|--|---------|---------|---------|
| FY 2022 | FY 2023 | FY 2024 | FY 2025 |
| 4,500 | 2,350 | 2,250 | 3,645 |

Inflation Reduction Act

The Inflation Reduction Act (IRA) was signed into law on August 16, 2022, providing funding to address the climate crisis, lower utility costs, and develop solutions to help New York and other states achieve lower emissions. IRA funding is expected to be used for domestic manufacturing of clean energy technologies, providing more affordable and cleaner energy. IRA funding is helping New York State tackle climate change for future generations through lower energy costs for households and businesses across New York communities.

To lower energy costs, the IRA includes rebates on installing new appliances and making household improvements, tax credits for installing solar panels, and solar grants to help state and local governments adopt the latest building energy codes.

CHIPS and Science Act

The Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act was signed into law on August 9, 2022, providing over \$50 billion in Federal investment, as well as additional tax credits for semiconductor manufacturing, research, and development.

The Executive Budget continues the State's successful investments in the semiconductor industry across Upstate New York and leverages CHIPS and Science Act investments to further develop the industry. For example, \$40 million was recently awarded by the U.S. Department of Defense to an Albany Nanotech led consortium to create the Northeast Regional Defense Technology Hub through the Microelectronics Commons program.

NEW YORK'S BALANCE OF PAYMENTS WITH THE FEDERAL GOVERNMENT

Each year, the Rockefeller Institute of Government (RIG) completes a Balance of Payments report that measures the difference in total value between each state's contributions to and expenditures from the Federal budget. Initial estimates from RIG indicate that

New York State had a negative balance of payments in Federal Fiscal Year (FFY) 2022, contrasting the prior two-years' net-positive balance of payments. The COVID-19 pandemic and resulting Federal spending was the key driver of the State's positive balance of payments in prior years. However, Federal spending in response to the COVID-19 pandemic dropped in FFY 2022 and the State appears likely to resume its pre-COVID role as a perennial net-donor state.

Federal Funds Management

New York State maintains robust controls on spending, and these extend to the receipt and expenditure of Federal funds. End-to-end Federal funds management allows the State to monitor the Federal landscape, advocate for necessary aid, and centrally manage risk.

New York State regularly monitors key Federal activities to identify and mitigate risks to the State and its Financial Plan. Federal action in a wide array of policy areas can have significant implications for the State, its economy, and the Financial Plan. Notable near-term risks to the Financial Plan include:

- **Final FFY 2024 appropriations and the return of discretionary spending limits.** Despite being more than three months into FFY 2024, Congress has yet to finalize appropriations for the Fiscal Year. Cuts to significant programs on which the State relies could force the State to make corresponding cuts to such programs.
- **Expiration of the temporary suspension of the Federal debt limit on January 1, 2025.** The Federal debt limit and the potential for a Federal Government default are a recurring risk to the Financial Plan due to the potential implications for the national economy and the municipal bond market.
- **Expiration of short-term extensions to the Farm bill and FAA authorizations.** The Executive Budget continues the State's investments in airport infrastructure, agriculture, and food security. Long term reauthorizations without cuts to programs will provide certainty for the State to continue its investments going forward.

- **Impending cuts to the Medicaid Disproportionate Share Hospital (DSH) program.** Cuts to Medicaid DSH would have a significant impact on New York’s safety net hospitals. These cuts are already in law and require legislative action to be repealed or delayed.
- **Asylum seeker and migration response.** New York is actively working to address the current humanitarian crisis by providing temporary housing and expanding access to employment authorization for eligible migrants and asylum seekers. The State will continue to partner with the Federal government to secure the resources necessary to appropriately respond to the situation.

