



FEDERAL AID & RECEIPTS



Governor Hochul’s FY 2026 Executive Budget continues the State’s commitment to responsibly administer Federal funds and is integral to managing the complex fiscal relationship between the State and the Federal government. The Executive Budget leverages Federal funds to invest in a wide range of policy areas, including healthcare, energy, infrastructure, and childcare to support an affordable, resilient economy for all New Yorkers.

Federal funds accounted for nearly 40 percent of the New York State budget in FY 2025 and are expected to decline to about 36 percent in FY 2026. This decrease in both the overall amount and share of Federal funds expended relative to all funds 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.

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 2026 include:

Medicaid (\$58 billion). Federal Medicaid dollars help support health care for nearly 7 million New Yorkers. Medicaid is the single largest category of Federal funding, representing 63 percent of Federal resources anticipated in the FY 2026 Executive Budget.

Other Health and Human Services Programs (\$22 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.

FEDERAL DISBURSEMENTS BY PROGRAM AREA AND FISCAL YEAR (millions of dollars)					
Category	2022 Actual	2023 Actual	2024 Actual	2025 Projected	2026 Projected
Medicaid	48,103	53,166	57,009	56,823	57,618
Health & Social Welfare	17,203	16,328	19,817	22,214	22,273
Education	7,518	9,307	9,092	9,184	4,746
Transportation	2,027	1,851	2,098	2,522	2,919
Public Protection	3,575	3,337	4,635	4,296	2,437
All Other	1,058	919	1,866	1,292	835
Total	79,483	84,908	94,517	96,331	90,829

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

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, Child Care, Foster Care, and the Unemployment Insurance Program.

Education (\$4.7 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. The decrease in Federal funds disbursements for Education in FY 2026 is an example of the wind down in one-time COVID relief funds.

Transportation (\$2.9 billion). Federal resources support infrastructure investments in highway and transit systems throughout the state, including funding participation in ongoing transportation capital plans.

Public Protection (\$2.4 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 (\$800 million). Several other programs in economic development, mental hygiene, parks and environmental conservation, and general government program areas are also supported by Federal resources.

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.

As of December 2024, the State has utilized the entirety of its award and completed the distribution of additional aid to qualifying localities. The State utilized the final \$3.65 billion included in its award in FY 2025, in accordance with the table below.

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

This Federal funding played a critical role in maintaining the State’s fiscal position as New York rebounded from the COVID-19 pandemic.

SLFRF resources provided essential government services and support to individuals, businesses, and communities that suffered during the COVID-19 pandemic. Pandemic-recovery programs that utilized SLFRF included the Restaurant Resiliency program, Small Business Recovery Grants, Pandemic Rental Assistance Grants, and the Substantially Dedicated Public Health and Safety Workforce response. 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.

Across FYs 2024 and 2025, New York State utilized an additional \$5.9 billion to continue critical government services central to supporting an affordable and resilient State economy in the wake of 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.

FEDERAL INFRASTRUCTURE, ENERGY AND MANUFACTURING INVESTMENTS

New York State continues to leverage Federal laws passed in 2021 and 2022 to build an affordable and resilient economy for the future. As a result of the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL) New York expects to receive more than \$13.5 billion for Federal-aid highway apportioned programs and \$9.8 billion in public transportation formula funds over the five years of the program. The IIJA has also been critical in securing funds for the Gateway Hudson Tunnel Project.

Federal investments included in the Inflation Reduction Act (IRA) are providing funding to address the climate crisis, lower utility costs, and lower emissions. For example, IRA funding is helping NYPA resume building renewable energy resources in the State, and DOT build resilient communities in Syracuse with the I-81 Connecting Syracuse project. The elective payment program included in the IRA also permits the State and localities to access the value of Federal tax credits for clean energy – bolstering clean energy investments across the State.

Finally, the State continues to utilize The Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act to promote semiconductor development. The law has driven significant investment in Central New York and the Capital Region, and spurred over \$112 billion in capital investments since 2021.

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. In the most recent report for FFY 2022 New York State had a \$19.4 billion balance of payments deficit, meaning New Yorkers paid \$19.4 billion more to the Federal government in taxes than they received in grants, payments and other Federal aid. This is in contrast to the prior two-years'

net-positive balance of payments, during which the COVID-19 pandemic and resulting Federal spending was the key driver of the State's positive balance of payments. 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 AND RISKS

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 2025 appropriations. Despite being more than three months into FFY 2025, 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. 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.

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.

