







The Executive Budget utilizes Federal resources to support programs that are integral to New Yorkers and the State's recovery from the global pandemic. Federal funds supplement health care, human services, education, transportation, public protection, and other services at the State and local levels. By managing the complex fiscal relationship between the State and the Federal governments, the Executive Budget maintains and expands services for New Yorkers going forward.

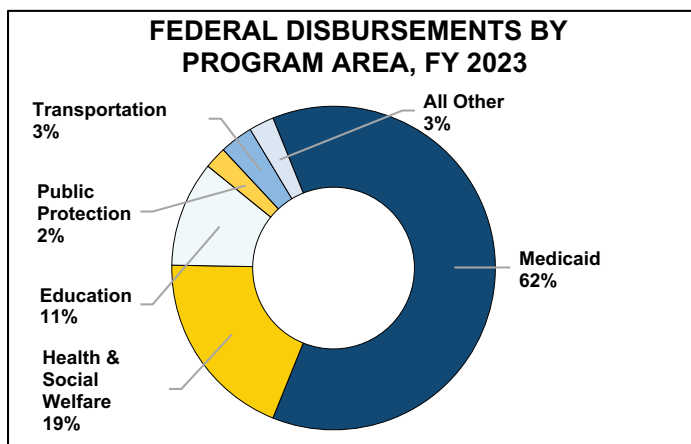
### OVERVIEW

Federal policy impacts the State in numerous ways, from monetary and tax policy to business and environmental regulation, however spending policy has an outsize impact on the State Financial Plan.

The Executive Budget utilizes \$81 billion in Federal funds, with Medicaid and other health programs making up a significant majority of the funds and K-12 Education, Welfare, Child Care, Homeland Security and Transportation programs accounting for significant portions of the remainder.

- The \$81 billion in Federal Funds anticipated for FY 2023 represents a nearly \$3 billion decline from FY 2022, but is still an increase from the \$61 billion utilized in FY 2020.

The surge in Federal funds between FY 2020 and 2023 is primarily a result of Federal spending in response to the pandemic. The Executive Budget manages this one-time increase in Federal funding levels as a result of the pandemic and charts a sustainable future that accounts for both a drop in Federal funds spending



and significant long-term investments in transportation and infrastructure resulting from enactment of the Infrastructure Investment & Jobs Act.

### 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. Overall, the Federal resources expected to be utilized by the Executive Budget include:

- **Medicaid** (\$50.6 billion). Federal Medicaid dollars help support health care for more than 7.4 million New Yorkers, including nearly 2.3 million children. Medicaid is the single largest category of Federal funding, representing nearly 62 percent of Federal resources anticipated in the FY 2021 Enacted Budget.
- **Other Health and Human Services Programs** (\$15.6 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** (\$8.6 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, those with disabilities, and college students with exceptional need, such as students who receive Pell grants.

- **Transportation** (\$1.8 billion). Federal resources support infrastructure investments in highway and transit systems throughout the state, including funding participation in ongoing transportation capital plans.
- **Public Protection** (\$2.7 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.
- **All Other Funding** (\$2.0 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 receipts had consistently represented approximately one-third of all State expenditures prior to the pandemic, but are expected to represent 40 percent and 38 percent in FYs 2022 and 2023, respectively.

**THE IMPACT OF EMERGENCY COVID-19 SPENDING ON NEW YORK'S BUDGET**

New York State has incurred billions in expenses due to the public health crisis caused by COVID-19. To date, the Federal government has enacted six laws with COVID response funds for state and local governments, the most recent being the American Rescue Plan (ARP) Act, signed into law on March 11, 2021.

These six laws are expected to generate over \$300 billion in funds for New York and \$48 billion in on-budget funds for COVID-19 expenses, plus the \$12.75 billion for State and Local Fiscal Recovery Funds included in ARP. The majority of this funding (\$30 billion) is expected to be expended by the end of FY 2022.

FEDERAL DISBURSEMENTS BY PROGRAM AREA (THOUSANDS OF DOLLARS)

CATEGORY	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Medicaid	37,556,577	40,177,935	40,916,368	45,050,375	48,028,674	50,628,950
Health & Social Welfare	11,838,677	12,368,484	12,095,506	16,091,140	18,014,986	15,617,614
Education	3,690,825	4,360,015	4,048,091	3,637,707	9,174,314	8,592,616
Transportation	1,683,301	1,698,187	1,639,511	1,627,258	1,658,531	1,799,809
Public Protection	1,552,452	1,282,804	1,531,673	2,135,063	3,953,044	2,707,875
All Other	484,540	529,513	455,737	319,918	997,937	2,038,411
Coronavirus Relief Fund	0	0	0	2,824,110	2,317,497	0
<b>TOTAL</b>	<b>56,806,372</b>	<b>60,416,938</b>	<b>60,686,886</b>	<b>71,685,571</b>	<b>84,144,983</b>	<b>81,385,275</b>



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. The 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. The table shows how these funds were spent.
- 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.
- New York State anticipates recovering \$1 billion in Public Assistance funds. Of this, \$800 million is anticipated to be received in FY 2023 and \$200 million is anticipated for FY 2024.
- State and Local Fiscal Recovery Funds.** On May 18, 2021, the State received \$12.75 billion in State and Local Fiscal Recovery Funds (SLFRF) -- Federal aid authorized in the ARP to offset revenue loss, ensure the continuation of essential services and assistance provided by government, and assist in the public health emergency response and recovery efforts. These funds are expected to be transferred to state funds over multiple years to support eligible uses and spending.
- On January 6, 2022, the United States Department of the Treasury published guidance specifying that these funds can be used for a broad range of government services, which the Department of the Treasury defined as services traditionally provided by governments. Allowable uses of these funds cited include construction of roads and other infrastructure, provision of public safety and other services, and health and educational services.

- Certain uses are excluded, however, including extraordinary contributions to pension funds, debt service payments, payments for settlements or judgments, or other uses that violate the American Rescue Plan Act. The State will ensure that its use of SLFRF monies is consistent with the recently released guidance.

### THE IMPACT OF THE 2020 DECENNIAL CENSUS ON NEW YORK'S BUDGET

Getting an accurate count of the State's population in 2020 presented unique challenges for the U.S. Census Bureau. The COVID-19 pandemic shifted the Census Bureau's plan and approach to ensuring a complete and accurate count, particularly in New York City, the epicenter of the COVID-19 outbreak during 2020. Additionally, certain population groups have historically been undercounted by the Census Bureau, such as minority ethnic groups, immigrants and renters. The New York State population includes higher proportions of these undercounted groups than the nation as a whole.

Based on the results of the Census Bureau's 2020 decennial population survey, New York State's congressional delegation will lose one seat following the 2022 elections. The State's House of Representatives delegation will be reduced from 27 to 26 members.

CORONAVIRUS RELIEF FUND (MILLIONS OF DOLLARS)	
AGENCY EXPENSES	TOTAL
Payroll Expenses - Public Health/Safety Personnel	4,465
Public Health/Medical Supplies and Equipment	179
Financing - Tax and Revenue Anticipation	171
IT and Telecommunication Equipment	66
Reserve Expenses (Second Wave PPE Inventory)	58
Rental Assistance	47
Federal Grants Administration/ Planning/Analytics	64
Other Agency Expenses	92
<b>TOTAL</b>	<b>5,142</b>

and the 2020 Census may also affect New York’s balance of payments as updated population counts influence the state-by-state allocation of Federal funding for numerous aid programs.

**NEW YORK’S BALANCE OF PAYMENTS WITH THE FEDERAL GOVERNMENT**

As noted above and in the State’s financial plan documents, recently enacted federal legislation to mitigate the impacts of the COVID-19 pandemic has significantly increased the amount of federal aid sent to the State and its local governments. Indeed, the forthcoming Balance of Payments report from the Rockefeller Institute of Government for Federal Fiscal Year 2020 found that while New York has consistently been a net donor state (where per capita federal receipts exceed per capital federal spending), the extraordinary effort to respond to the COVID-19 pandemic has, at least temporarily, brought that to an end.

In FFY 2020, New York State’s per capita balance of payments, the difference of per capita Federal spending and Federal receipts, was \$7,903. This is a significant improvement from FFY 2019, in which per capita receipts exceeded spending resulting in a net negative balance of payments of -\$1,113. For FFY 2020, New York’s net balance of payments ranked fifth highest in the nation, a dramatic improvement from its rank of lowest overall in FFY 2019. The Federal government’s response to the pandemic improved the net balance of payments for all states. The analysis shows that there are no net donor states for FFY 2020.

New York’s improvement in its ranking among states was largely a result of the severe toll the COVID-19 pandemic took on the State’s economy. Because of this disproportionate impact, Federal spending on unemployment insurance, Medicaid, and other social safety net programs flowed to New York State at a higher rate than other states in FFY 2020.

New York State’s economic recovery continues to lag the rest of the nation. By the end of FFY 2021, the national unemployment rate had fallen to 4.8 percent, compared to a rate of 7.1 percent for New York. This suggests that New York’s net balance of payments position for 2021 is likely to mirror that of 2020.

Despite the improvement in New York’s ranking, its per capita balance of payments remains lower than the national average. For

FFY 2020, the average balance of payments for the entire United States was \$9,573, compared to \$7,903 for New York. Federal spending in response to the COVID-19 pandemic, including aid from the SLFRF enacted in the American Rescue Plan, is time-limited and will end within a short time period. Unless changes are enacted that allow New York to receive a more equitable share of federal outlays, the State will likely resume its role as one of the largest net donor states, if not the largest.

To ensure economic stability, the State must be deliberate in its use of this temporary aid provided by the federal government. It would be imprudent for the State to assume responsibility for significant recurring costs based on these federal resources. While the State has flexibility in how to use the Federal aid provided by the SLFRF and certain other sources, dedicating these finite resources to open-ended obligations could easily lead to a “fiscal cliff” when these funds are exhausted. This would lead to an undesirable situation that could result in undoing any new obligations, cuts to other vital programs and services, tax increases, or a combination of these items.

The Executive Budget prudently assumes these resources will be used to fund extraordinary costs associated with the COVID-19 pandemic. Funds from the SLFRF and other sources will be used over a multi-year period to avoid any volatility that would adversely impact New Yorkers.

PER CAPITA BALANCE OF PAYMENTS SUMMARY (FEDERAL FISCAL YEARS)				
	FY 2017	FY 2018	FY 2019	FY 2020
US	\$1,842	\$1,980	\$2,394	\$9,573
NY	-\$1,701	-\$1,778	-\$1,113	\$7,903

