



FEDERAL AID & RECEIPTS



The Federal budget and appropriations process has significant impact on New York State’s economic health and ability to complete major initiatives. The Executive Budget establishes the framework for responsibly administering Federal funds to benefit New Yorkers and is integral to managing the complex fiscal relationship between the State and the Federal government. This year, Governor Hochul’s Executive Budget will continue to ensure Federal funds that support the most vulnerable New Yorkers are protected from the heightened uncertainty surrounding Federal government fiscal policy.

OVERVIEW

Federal funds have accounted for nearly 38% of the New York State budget on average over the past four years. Presently, the Department of Health is the largest recipient of Federal funds due to Medicaid, COVID-19 response and recovery, and other health programs. Federal spending in response to the COVID-19 pandemic was responsible for a surge in Federal funds between FY 2020 and 2023.

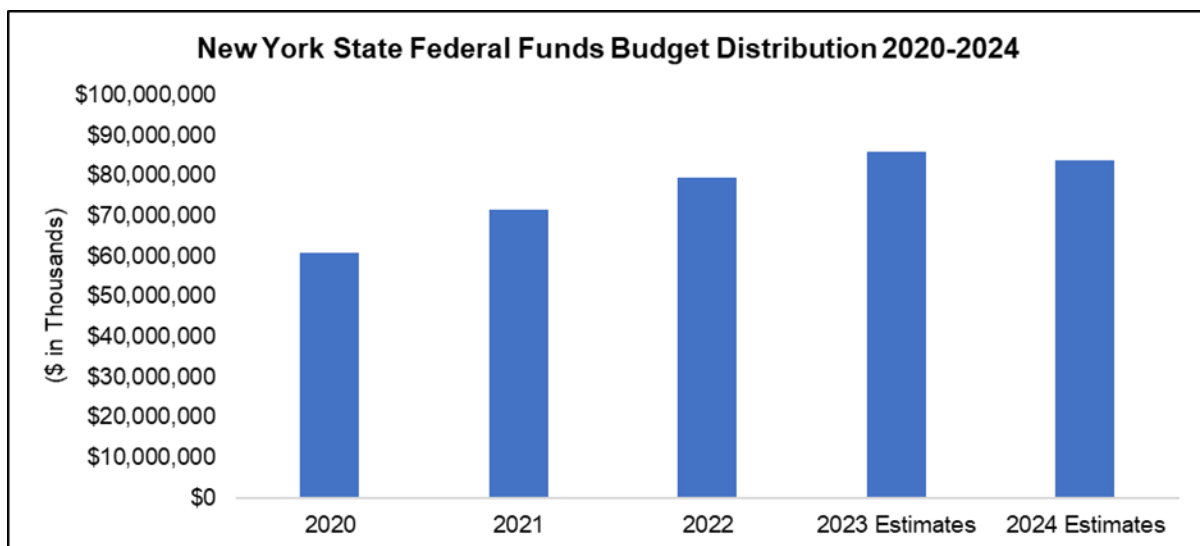
In addition to health care, State and Federal resources fund transportation, education, public protection, other human services for New Yorkers. It is critical that New York receives the necessary Federal funds to meet these needs.

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 2024 include:

- Medicaid (\$52.9 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 63 percent of Federal resources anticipated in the FY 2024 Executive Budget.
- Other Health and Human Services Programs (\$15.4 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.

transit systems throughout the state, including funding participation in ongoing transportation capital plans.

- 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 (\$9.1 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 (\$2.6 billion). Federal resources support infrastructure investments in highway and transit systems throughout the state, including funding participation in ongoing transportation capital plans.
- Public Protection (\$2.6 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 (\$1.3 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 have consistently represented approximately one-third of all State expenditures prior to the pandemic but are expected to represent nearly 39 percent and 37 percent in FYs 2023 and 2024, respectively.

Federal Disbursements by Program Area (Millions of Dollars)					
Category	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Medicaid	40,920	45,054	48,103	52,607	52,874
Health & Social Welfare	12,314	16,329	16,928	16,122	15,362
Education	4,102	3,688	7,516	9,904	9,142
Transportation	1,646	1,633	1,968	2,321	2,645
Public Protection	1,547	2,152	1,908	2,779	2,551
All Other	158	6	741	2,271	1,346
Coronavirus Relief Fund	-	2,824	2,318	-	-
Total	60,687	71,686	79,483	86,005	83,920

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

COVID-19 Federal funding remained a key funding source in the past fiscal year. In response to the COVID-19 pandemic, these programs provided substantial funding to the State:

- The CARES Act provided the Education Stabilization Fund, the Coronavirus Relief Fund (CRF) and funding for childcare.
- The Coronavirus Preparedness and Response Supplemental Appropriations (CPRSA) Act of 2020 provided support for vaccine development and the Public Health Emergency (PHE) preparedness program.
- The Families First Coronavirus Response Act (FFCRA) increased Medicaid funding and provided paid sick leave and food assistance.
- The FEMA Lost Wage Assistance program provided additional financial relief to New Yorkers experiencing pandemic-related unemployment.
- The Paycheck Protection Program and Health Care Enhancement Act provided funding for small businesses and health care programs.
- The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021 allowed New York State to establish a second Education Stabilization Fund to continue to prevent, prepare for and respond to COVID-19.
- The American Rescue Plan (ARP) Act of 2021 established the Coronavirus State and Local Fiscal Recovery Fund (SLFRF) and provided funding for state and local government pandemic response and recovery. In December of 2022, the SLFRF was amended to expand the eligible uses to include recovery funding for infrastructure improvement projects.

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

In 2021, New York State and its localities were allocated \$23.5 billion through the SLFRF implemented by the U.S. Department of Treasury (U.S. Treasury) under ARP. Of the total funding, New York State received \$12.7 billion in aid directly, 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 reported the attribution \$4.5 billion of its award to the U.S. Treasury for FY 2022 and completed the distribution of the nearly \$800 million to qualifying localities across FYs 2021 and 2022. The State is scheduled utilize the remainder of its \$12.7 billion award by FY 2025 in accordance with the table below.

In FY22, Governor Hochul directed the use of \$4.5 billion of the State's total \$12.7 billion award to providing essential government services and serving the individuals, businesses, and communities that suffered during the COVID-19 pandemic. Pandemic-recovery programs that utilized SLFRF in FY22 include Restaurant Resiliency (\$24 million), Small Business Recovery Grants (\$526 million), Pandemic Rental Assistance Grants (\$183 million) and the Substantially Dedicated Public Health and Safety Workforce (\$968 million). Additionally, \$2.794 billion was used to continue the provision of critical government services. Through these efforts, SLFRF assisted 30,257 small and micro businesses, 17,989 low-income or minority households, 19,806 full-time public health and safety workers, and helped to distribute 1 million meals to people in need across the State.

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

In FY23, New York State continued to identify programs focused on the provision of critical government services central to supporting individuals and communities, including those most impacted by the COVID-19 pandemic for receipt of SLFRF. Agencies engaged in transportation, agriculture, mental health, tax and finance, and children and family services continued to be prioritized, as well as public workers that are substantially dedicated to New York State’s public safety operations. In FY 2024, the SLFRF will be used to continue these important efforts and will leverage recent Federal legislation to support critical infrastructure projects.

RECENT SIGNIFICANT LEGISLATIVE ACTIONS

In addition to COVID-19 funding, major legislation also impacted and generated Federal funding for the State.

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

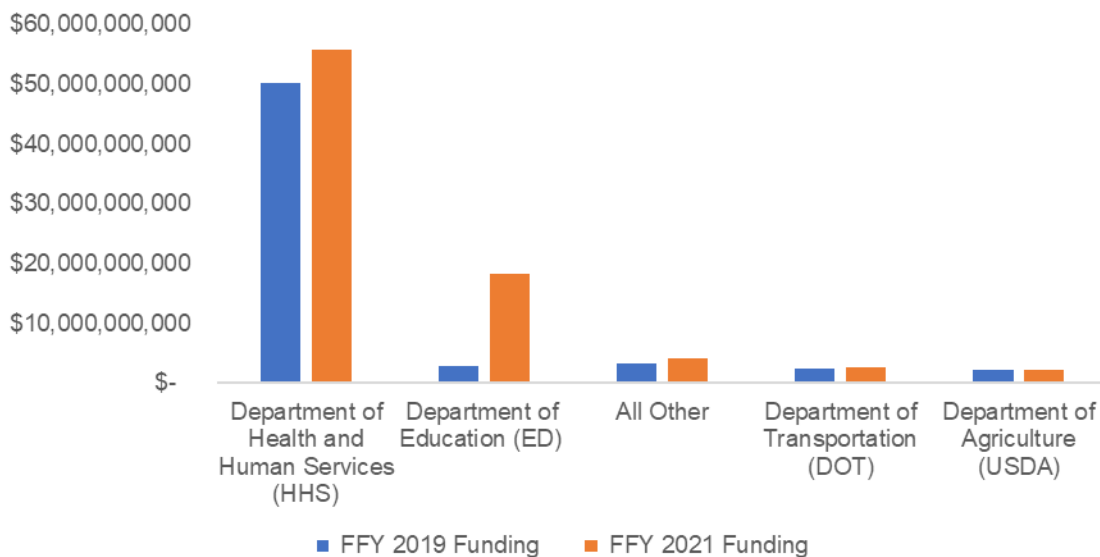
for infrastructure in cities and villages. New York State’s local governments will use this funding to support overdue infrastructure projects – including transportation networks, water systems and broadband capabilities – in New York’s communities.

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), \$2.6 billion to improve water infrastructure to ensure clean, safe drinking water is available in all communities, and other important projects.

Inflation Reduction Act

The Inflation Reduction Act 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 across New York communities through lower energy costs for households and businesses.

New York State FFY 2019 and FFY 2021 Grant Funding Distribution from Federal Agencies



New York State FFY 2019 and 2021 Grant Funding Distribution from Federal Agencies (Source: USA Spending.gov)

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

NEW YORK'S BALANCE OF PAYMENTS WITH THE FEDERAL GOVERNMENT

Each year, the Balance of Payments exercise is conducted to measure the difference in total value between the State's payments into and receipts from the Federal government. This year's exercise indicates that New York had a positive balance of payments in Federal Fiscal Year (FFY) 22 for the second consecutive year. As in the prior year, 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 is time-limited and the State expects to resume its role as one of the largest net donor states if New York does not receive an equitable share of Federal funding.

The forthcoming Balance of Payments report from the Rockefeller Institute of Government for Federal Fiscal Year 2021, finds that the average per capita balance of payments for the entire United States was \$8,122, compared to \$5,802 for New York. The U.S. balance of payments decreased by 8% from FFY 2020, whereas the New York per capita balance of payments number decreased by 20%. This decrease was caused by a 20% increase in Federal receipts with only a 4% increase in Federal expenditures. New York's contribution to Federal receipts continues to outpace the national average, resulting in a greater deterioration in the State's net balance of payments position, compared to the rest of the nation.

Sixty-five percent (compared to 72% in FFY 2020) of Federal expenditures are made up of COVID-related funding, meaning that without them, New York would have a negative balance of payments per capita at -\$1,519. Whereas the average of all states balance of payments without COVID-related expenditures remain positive at \$2,816. This is because, on average, states paid significantly lower Federal receipts than New York did – by about 40%.

Because New York was the epicenter of the pandemic, the State's labor market and economy experienced greater impact than the rest of the nation. New York's economic recovery continues to lag the nation with the number of employed individuals remaining 2.7% below its pre-pandemic peak compared to 0.8% above for the national workforce. New York State has the seventh highest unemployment rate in the country at 4.3% compared to 3.5% for the national unemployment rate as of December 2022, which may have a potential impact on the State's Balance of Payments.

FEDERAL FUNDS MANAGEMENT

To leverage and steward limited Federal funding, New York State's response to the pandemic included the design and implementation of a process to centrally manage COVID-19 funding across State Agencies, Departments, and Public Authorities. This innovative process was used to manage the distribution of the CRF and is currently used to manage the attribution of the SLFRF, as well for the development and submission of applications to the Federal Emergency Management Agency (FEMA).

New York State, through coordination by the Division of the Budget and the Division of Homeland Security and Emergency Services (DHSES), manages Federal COVID-19 related FEMA claims, allowing the State to assign Federal funding most appropriately to each effort and ensure compliance with all associated Federal requirements. The Division of the Budget tracks COVID-related expenditures, compiles data to complete Federal reports, and facilitates the State agency reimbursement process. Expenditures must pass through several levels of compliance based on the results of agency risk assessments. The State developed internal controls and processes to mitigate the risk of inappropriately claimed expenses and audit disallowances. This includes the statewide implementation of a subrecipient monitoring and management policy for all agencies (including State and Federal programs).

This centrally coordinated approach to Federal funds management has been continuously validated through the Federal Single Audit (audit) – a Federally required annual independent audit of New York

State's Federal award expenditures. The audit is used to assess the internal controls adopted by State agencies to manage Federal aid.

The most recent Federal Single Audit for State Fiscal Year 2022 examined New York State's Federal expenditures of more than \$127 billion during the period of April 1, 2021 to March 31, 2022, as reported on the State's Schedule of Expenditure of Federal Awards and includes Federal COVID-19 relief funds. This is the third audit report issued in the last 18 months, wherein New York State received no audit findings for centrally administered Federal COVID-19 funding – including \$5.1 billion from the CRF and \$4.5 billion of the total \$12.7 billion from the SLFRF.

New York State continues to focus on strengthening internal controls, managing risks, and mitigating improper spending. New York State's centralized approach to the distribution of Federal disaster relief funding has proven to be a successful model which other states may decide to replicate when facing future disasters.

FISCAL FEDERALISM

It is the duty of the Federal, state and local governments to work together to responsibly steward taxpayer resources. In recent years, Federal programs have been designed to require state and local coordination to leverage Federal funds to respond to the pandemic and to ensure citizens have access not only to health care, but to clean air, water, and energy through improvements to infrastructure.

Given the importance of Federal monies, in addition to internal controls and stewardship of existing Federal awards, New York State regularly monitors key Federal and local activities to identify and mitigate any financial risk. Certain federal decisions impacting the economy shape the State Financial Plan. This includes, but isn't limited to, those that impact New York's economy like consumer price inflation. The State continues to monitor the Federal actions and identify the potential for negative impacts to the New Yorkers in areas like employment, housing and supply chains.