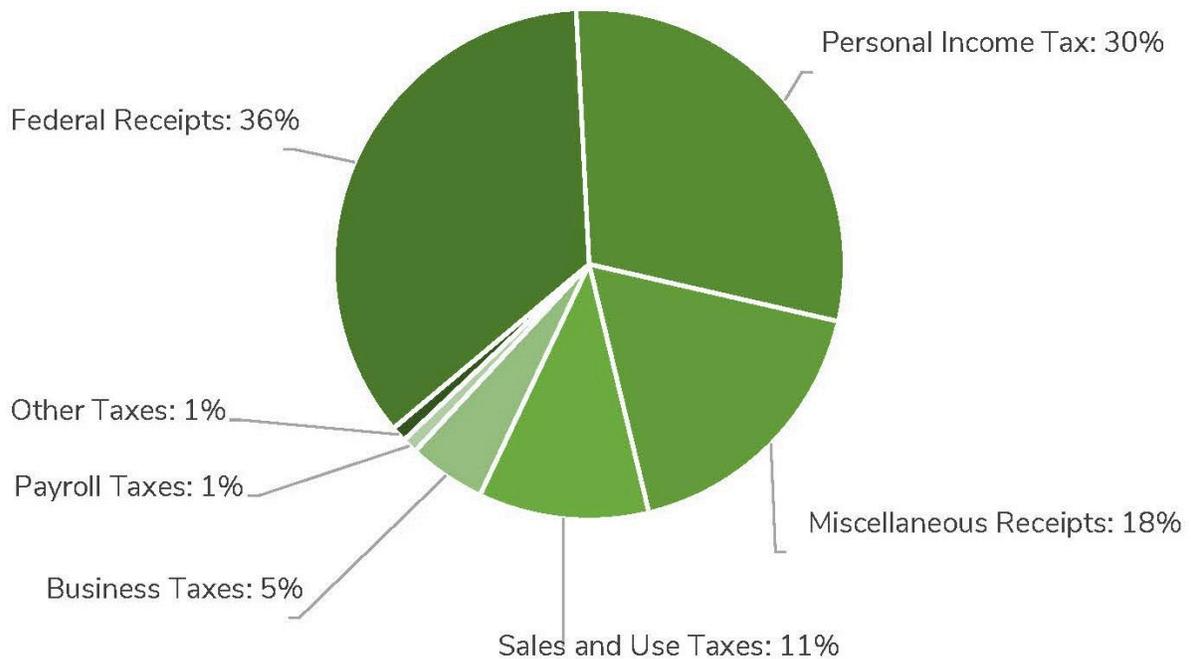


The Importance of Federal Funding in NYS

Over one-third of New York State’s FY 2019 All Funds Budget, \$57.87 billion, is comprised of federal funds. With President Donald J. Trump and a Republican-dominated congress taking control of the federal budget, the potential for substantial cuts in domestic spending poses gargantuan challenges for the New York State budget and the budgets of local government entities throughout the state, as it does for other states and localities around the country.

Fig 4. Revenue: 2019 Executive All Funds Receipts
TOTALS \$168.2 BILLION



Source: FY 2019 Executive Budget Financial Plan, Jan. 2018.

Federal funds represent a larger share of the All Funds budget than even personal income tax revenues. The \$37 billion in federal Medicaid dollars represent, by far, the biggest federal contribution to the state budget. New York is scheduled to receive an additional \$3.78 billion in the coming fiscal year as the federal share of the state’s Essential Plan, which provides health insurance to low- and moderate-income households not qualifying for Medicaid. New York is also scheduled to receive approximately \$4.2 billion in social welfare spending to cover vital services for children and other low-income New Yorkers.

FEDERAL FUNDING

Many New Yorkers benefit one way or another from the broad range of programmatic areas in which the state receives federal categorical funds. The chart below shows only funds that flow through the state budget; it does not include the billions of federal dollars that flow directly to New Yorkers for Social Security, Supplemental Nutritional Assistance, or federal pensions.

Fig 5. The Importance of Federal Funding in the NYS Budget

PROGRAM	FEDERAL \$	MAIN BENEFICIARIES AMONG NEW YORKERS
Medicaid	\$37.08B	6.5 million New Yorkers: low income households, low wage workers, the elderly, the disabled and patients with high cost chronic conditions
Essential Plan	\$3.78B	620,000 covered: low and moderate-income households that don't qualify for Medicaid or Child Health Plus
Other Health & Social Welfare*	\$7.57B	The elderly, people with addictions or mental health issues.
Education	\$4.02B	All children; special-needs children; college students from low- and middle-income families
Transportation	\$1.81B	Everyone
Public Protection	\$1.10B	Everyone
All Other	\$2.51B	
Total Federal Funds, FY 2019	\$57.87B	

**Includes Temporary & Disability Assistance; Public Health; Children's Services, Mental Hygiene; Senior Services & others*

Source: NYS Division of the Budget, FY 2019 Executive Budget Financial Plan.

Local governments in New York are also dependent on federal aid. Housing agencies, school districts, and local general-purpose governments receive a total of approximately \$16 billion annually in federal funds, which goes to social welfare, public health and transportation. A little less than half of this, \$7.2 billion, goes to New York City, where social welfare funding accounts for the largest share, followed by education and housing—over 60 percent of the New York City Housing Authority's budget comes from federal housing funds. Federal, state and local funding are all interconnected: federal aid represents approximately six percent of local government revenues and state aid accounts for 23 percent of local revenue. Thus, local governments would certainly be affected if significant federal budget cuts severely constrain the state's financial picture and its ability to provide local assistance.

As a contingency measure, in case of significant federal aid reductions, last year's Enacted Budget stipulated that federal funding cuts exceeding \$850 million would trigger the NYS Division of Budget to release a proposed plan on how to close the gap. Once the plan was released the legislature would then have 90 days to come up with their own plan or accept the governor's plan. This is a very likely scenario given the cuts that were proposed in last year's House and Senate budget resolutions.

A few short months ago, the House Republican budget resolution, the Trump Administration budget, and the Senate budget resolution all called for trillions in cuts to entitlement programs over the next 10 years. The House and Trump budgets suggested cutting SNAP by at least \$140 billion over 10 years. Under the house plan, by 2027 SNAP would be cut by about 40 percent even though SNAP serves 20 million children and two-thirds of SNAP benefits go to households with children. The House Budget plan also called for harmful changes in the Earned Income Tax Credit (EITC) and more steep cuts (about 18 percent by 2027) from multiple areas like child care subsidies and the Head Start program, K-12 public education, housing assistance, job training, and student aid to name but a few.

One of the biggest risks to the New York State budget remains the potential repeal of the Affordable Care Act (ACA). So far, efforts at repeal have failed, except for the repeal of the individual mandate in the recently passed tax bill. But the threat is still real, and repealing the ACA would jeopardize health insurance for more than 2.7 million New Yorkers, according to the Governor's Office. With the ACA, the portion of the state's population without health insurance has fallen from 10 percent to five percent.

The adverse impacts of the new federal tax plan have already begun to shape in New York (see tax section). Under the Republican-controlled Congress, progress that the federal government made under the Obama Administration in using federal tax policy to reduce income inequality is being unraveled in favor of benefitting the wealthiest Americans and corporations. A recent Economic Report demonstrated that the Obama Administration policies delivered the most significant reduction in market-generated inequality since the Great Society programs in the mid-1960s. The combined impact of the Obama Administration's tax policy changes and taxing the wealthy to pay for expanded health coverage under the ACA cut by 20 percent the ratio of average income of the top 1 percent to the bottom 20 percent.¹

Given the recent passage of the tax bill and the proposed draconian federal spending cuts that threaten the well-being of millions of New Yorkers, the governor and legislature should consider multiple tax approaches to recapture some of the federal windfall that would flow to the state's richest individuals and businesses.

¹ President's Council of Economic Advisors, 2017 Economic Report of the President, January 2017, chapter 3.