

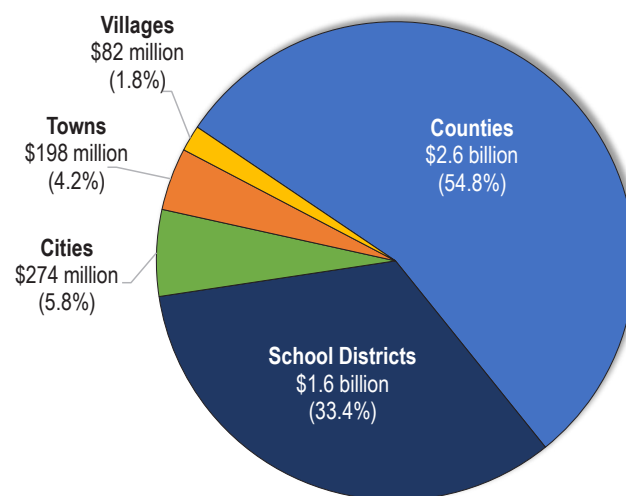
The Impact of Federal Aid on New York's Local Governments

Introduction

Federal aid is a critical component of local government revenues and has become a focal point as policymakers in Washington discuss potential cuts to important programs related to health benefits and social services, such as Medicaid, the Supplemental Nutritional Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF), as well as Community Development Block Grants (CDBG). Proposed changes to federal education policy, expanded military spending and the Executive Order declaring "sanctuary jurisdictions" ineligible for some federal grants could also affect New York's local governments. The rapidly changing and sometimes conflicting information available makes it difficult to get a clear sense of the amount of funding really at stake.

Figure 1

Direct Federal Aid Reported By Local Governments, FYE 2015
(Excludes New York City)



Source: Office of the New York State Comptroller (OSC).

For local officials and concerned citizens to understand how they could be affected by such changes, they need to know how much federal aid local governments are currently receiving and for what purpose.

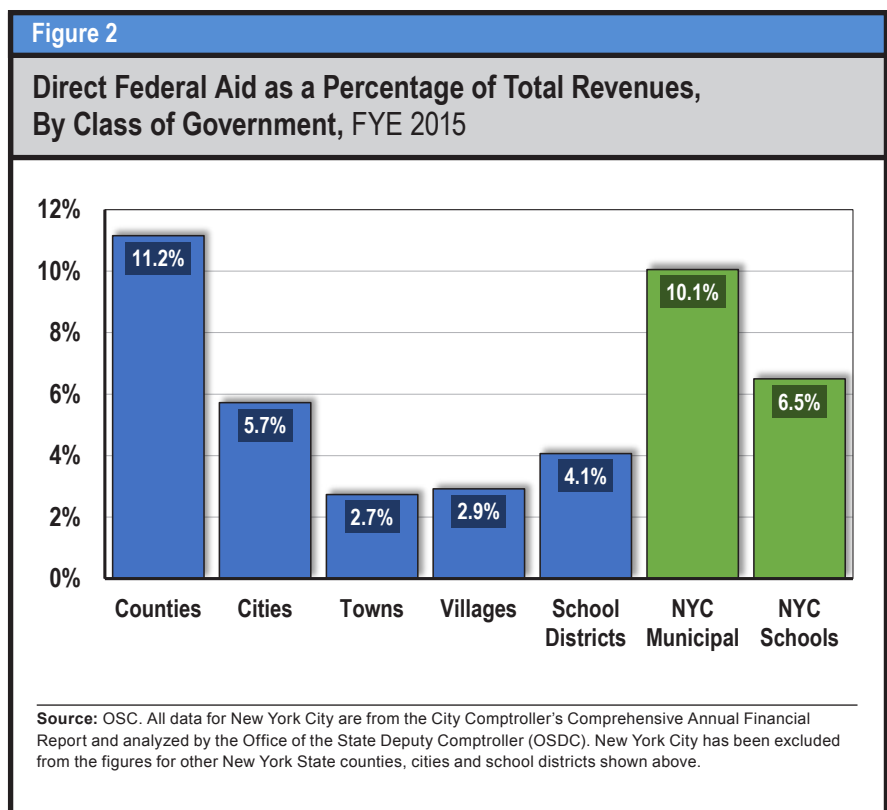
This report and the accompanying online search tool use data reported by local governments to the Office of the State Comptroller.¹ This data accounts only for the aid that local governments receive from the federal government, including funds to help administer some large health benefits and social services programs. It does not, however, capture the significant amount of federal aid that funds payments to program providers and recipients. Cuts to those types of payments may put significant pressure on local resources. Another consideration is the large local expenditures (often mandated) for some of these same programs, like Medicaid, and the local revenue required to support those expenditures. For these reasons, the term "direct federal aid" is used throughout the report to describe this more limited concept. Direct federal aid on its own has a substantial impact on most local governments in the State, both in total dollars and as a portion of total revenue.²

How Much Do Local Governments Depend on Direct Federal Aid?

For their fiscal years ending (FYE) in 2015, the State's local governments and school districts outside of New York City (NYC) reported \$4.7 billion in direct federal aid, the majority of which went to counties (\$2.6 billion) and school districts (\$1.6 billion). The City separately reported \$7.0 billion, of which \$1.7 billion went to funding public schools.³

Among the different classes of government, federal sources make up the highest share of revenue for counties as a group. New York City had the next highest share of federal funding.

The range of federal aid as a percentage of school district revenues varies widely. Some are especially dependent: 18 districts reported at least 10 percent of their revenue coming from federal aid (39 percent for one district). The New York City Department of Education got about 6.5 percent of its revenue from federal sources.

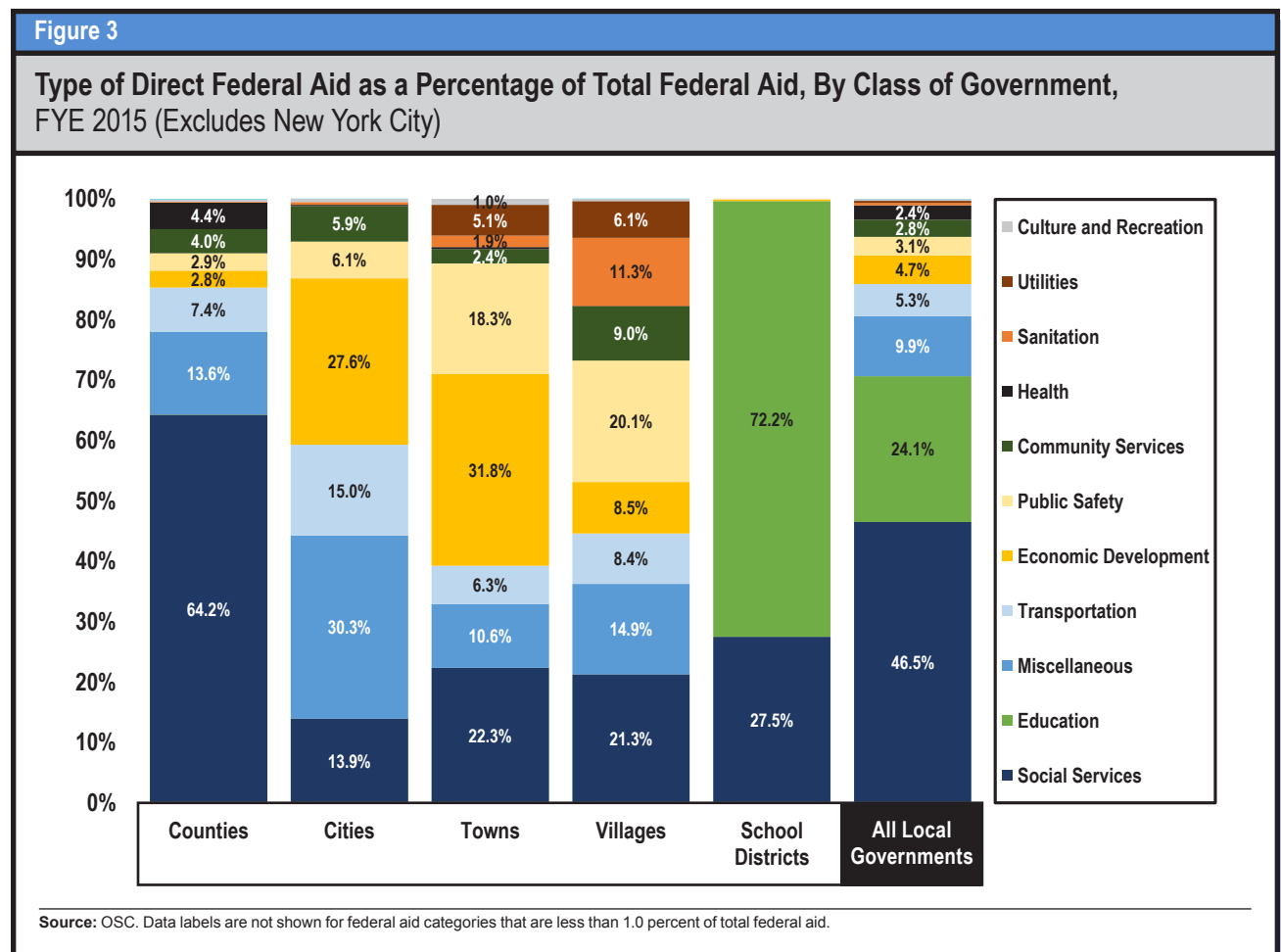


Purpose of Federal Aid by Class of Government

For 2015, the two largest types of direct federal aid received by local governments fell into the broad categories of social services (\$2.2 billion) and education (\$1.1 billion), but the breakdown of types of aid varied a great deal by class. (The breakdown in figure 3 does not reflect New York City's federal aid, as the City reports financial information differently from other local governments.)⁴

Counties' federal funding is mainly for social service programs that provide assistance to low-income individuals and families. However, they also received \$189 million in transportation aid to maintain and upgrade roads, highways and airports. In fact, although transportation funding was a small portion of the total federal aid they reported in 2015, counties as a group received 76 percent of the \$250 million total federal transportation aid to local governments.

School districts receive federal aid to fund an assortment of educational and social service purposes, including Head Start, the Child Care and Development Fund, and Title I Grants to Local Education Agencies. Most federal aid to schools targets low-income students or those with disabilities.⁵



All classes of local governments received funds intended for public safety purposes, such as civil defense, emergency disaster assistance and crime control (\$146 million outside of New York City).

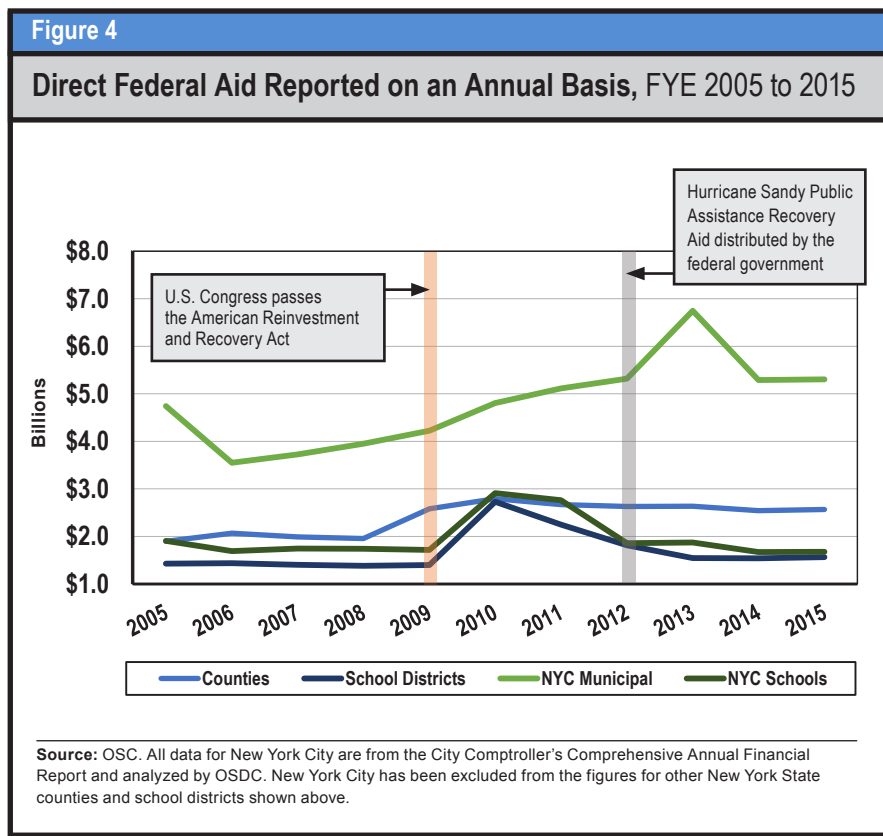
A large portion of federal aid received by cities, towns and villages is for economic development purposes, primarily for job training, workforce investment, infrastructure and economic assistance supported by the CDBG program. These classes of government also receive significant federal funding for transportation and for social services, the latter of which is almost entirely housing aid in the form of rental assistance.

See Appendix C for a complete breakdown of the types of federal aid, by class of government, for 2015.

Recent Trends

Federal aid – especially at the individual local government level – tends to fluctuate significantly, since some of the funding is based on capital projects, which may be large, or Federal Emergency Management Agency payments in the wake of natural disasters.

Some of the biggest increases in federal aid statewide came from temporary stimulus funding in response to the Great Recession, which peaked between 2010 and 2011 for most local governments. Since then, total federal aid to localities has dropped, but some local governments still receive substantially more aid than before the temporary increases.



Key Takeaways

- (1) Local governments receive a significant amount of direct federal aid (\$4.7 billion outside of New York City in 2015). This aid supports critically needed services, such as helping the most vulnerable members of society, fixing public roads, improving public safety and funding educational programs.
- (2) New York City receives more direct federal aid (\$7.0 billion) than all other local governments in the State combined, nearly 9 percent of its total revenue in 2015. This includes \$1.7 billion in aid for the New York City Department of Education.
- (3) It is imperative that local officials at all levels of government be aware of potential policy changes at the federal level so they can identify risks to programs and their local economies and communicate concerns as appropriate to their constituents and representatives in Washington.
- (4) As additional information is reported to the public, local leaders must carefully manage their priorities and their responses to evolving federal-state-local relationships.

To see federal aid breakdowns by individual local governments for fiscal year ending 2015, visit our online search tool at <http://wwe1.osc.state.ny.us/localgov/fedaid/fedaid.cfm>.

The Office of the State Comptroller will continue to monitor federal aid distribution to New York State's local governments.

Appendix A

Direct Federal Aid as a Percentage of Total Revenues, By Class of Government, FYE 2015		
Counties	Total Federal Aid	\$2,568,576,924
	Total Revenues	\$23,030,634,814
	Federal Aid as a Percentage of Total Revenues	11.2%
Cities	Total Federal Aid	\$273,981,866
	Total Revenues	\$4,788,593,411
	Federal Aid as a Percentage of Total Revenues	5.7%
Towns	Total Federal Aid	\$198,322,547
	Total Revenues	\$7,249,229,105
	Federal Aid as a Percentage of Total Revenues	2.7%
Villages	Total Federal Aid	\$82,385,681
	Total Revenues	\$2,817,765,519
	Federal Aid as a Percentage of Total Revenues	2.9%
School Districts	Total Federal Aid	\$1,566,211,186
	Total Revenues	\$38,511,215,212
	Federal Aid as a Percentage of Total Revenues	4.1%
New York City Municipal	Total Federal Aid	\$5,305,511,416
	Total Revenues	\$52,780,127,178
	Federal Aid as a Percentage of Total Revenues	10.1%
New York City Schools (Department of Education)	Total Federal Aid	\$1,676,898,264
	Total Revenues	\$25,806,671,731
	Federal Aid as a Percentage of Total Revenues	6.5%
<p>Source: OSC. All data for New York City are from the City Comptroller's Comprehensive Annual Financial Report and analyzed by OSDC. New York City has been excluded from the figures for other New York State counties, cities and school districts shown above.</p>		

Appendix B

Type of Direct Federal Aid as a Percentage of Total Federal Aid Reported By Local Governments, FYE 2015 (Excludes New York City)			
Federal Aid Category	Description	Amount	Percentage of Total Federal Aid
Social Services	Adults in Public Institutions, Early Intervention, Family Assistance, Flexible Fund for Family Services, Home Energy Assistance, Job Opportunities Program, Medicaid Assistance, Medical Assistance Program, Rental Assistance Program, Safety Net, Services for Recipients, Social Services Administration, Summer Food Program for Children, Supplemental Nutrition Assistance Program Administration, Surplus Food, Title IV-B Funds, WIC (Women, Infants and Children) Program, Other Social Services	\$2,180,053,058	46.5%
Education	Adult Basic Education, Education Jobs Fund, Elementary and Secondary Education Act, Federally Affected Areas, Federal Fiscal Stabilization Grant, Individual Disabilities, Vocational Education, Other Education and Capital Projects	\$1,132,273,825	24.1%
Economic Development	Community Development Act, Job Training Partnership, Market Research-Tourism, Workforce Investment Act, Other Economic Assistance and Opportunities	\$220,945,275	4.7%
Transportation	Airport Capital Projects, Highway Safety, Other Transportation Capital Projects	\$249,564,702	5.3%
Public Safety	Civil Defense, Crime Control, Disaster Assistance, Drug Free Schools, Emergency Disaster Assistance, Other Public Safety and Capital Projects	\$145,618,188	3.1%
Community Services	Code Enforcement, Foster Grandparent Program, Programs for Aging, Reforestation, Other Home and Community Services Capital Projects	\$131,260,989	2.8%
Health	Alcohol Addiction Control, Mental Health, Narcotics Control/Use Prevention, Paint Poisoning Prevention, Public Health, Rat Control, Other Health Capital Projects	\$113,704,597	2.4%
Sanitation	Sewer Capital Projects	\$18,036,293	0.4%
Utilities	Water Capital Projects	\$15,143,067	0.3%
Culture and Recreation	Libraries, Youth Programs, Other Culture and Recreation Capital Projects	\$13,994,350	0.3%
General Government	Planning Studies	\$2,385,016	0.1%
Miscellaneous	Other Capital Projects	\$466,498,843	9.9%
Total Federal Aid		\$4,689,478,203	100.0%
Source: OSC.			

Appendix C

Type of Direct Federal Aid, By Class of Government, FYE 2015 (Excludes New York City)

Federal Aid Categories	Counties		Cities		Towns		Villages		School Districts		Total	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Community Services	\$102,975,650	78.5%	\$16,158,655	12.3%	\$4,680,953	3.6%	\$7,445,732	5.7%	\$0	0.0%	\$131,260,989	100.0%
Culture and Recreation	\$10,253,920	73.3%	\$1,492,281	10.7%	\$1,957,740	14.0%	\$273,607	2.0%	\$16,803	0.1%	\$13,994,350	100.0%
Economic Development	\$71,929,478	32.6%	\$75,555,534	34.2%	\$62,998,775	28.5%	\$7,026,713	3.2%	\$3,434,775	1.6%	\$220,945,275	100.0%
Education	\$1,826,905	0.2%	\$42,415*	0.0%	\$0	0.0%	\$0	0.0%	\$1,130,404,505	99.8%	\$1,132,231,410	100.0%
General Government	\$2,353,908	98.7%	\$11,148	0.5%	\$0	0.0%	\$19,960	0.8%	\$0	0.0%	\$2,385,016	100.0%
Health	\$112,455,559	98.9%	\$538,929	0.5%	\$687,299	0.6%	\$22,810*	0.0%	\$0	0.0%	\$113,681,787	100.0%
Miscellaneous	\$350,285,295	75.1%	\$82,918,581	17.8%	\$20,979,098	4.5%	\$12,315,870	2.6%	\$0	0.0%	\$466,498,843	100.0%
Public Safety	\$73,908,762	50.8%	\$16,681,068	11.5%	\$36,269,211	24.9%	\$16,560,908	11.4%	\$2,198,239	1.5%	\$145,618,188	100.0%
Sanitation	\$3,789,657	21.0%	\$1,200,000	6.7%	\$3,766,427	20.9%	\$9,280,209	51.5%	\$0	0.0%	\$18,036,293	100.0%
Social Services	\$1,649,936,988	75.7%	\$38,151,359	1.8%	\$44,280,662	2.0%	\$17,527,184	0.8%	\$430,156,864	19.7%	\$2,180,053,058	100.0%
Transportation	\$188,860,802	75.7%	\$41,231,896	16.5%	\$12,586,337	5.0%	\$6,885,667	2.8%	\$0	0.0%	\$249,564,702	100.0%
Utilities	\$0	0.0%	\$0	0.0%	\$10,116,046	66.8%	\$5,027,021	33.2%	\$0	0.0%	\$15,143,067	100.0%

Source: OSC. * Less than one-tenth of one percent of the total federal aid reported by local governments for that category.

Notes

- ¹ The non-New York City data in this report are taken from annual financial reports submitted to OSC by local governments and school districts. Only the revenue account codes for federal aid were used, which may not include certain federal aid received by New York State and passed on to local governments.
For a list of the account codes used, please see the Comptroller's Accounting and Reporting Manuals at <https://www.osc.state.ny.us/localgov/pubs/arm.pdf> and https://www.osc.state.ny.us/localgov/pubs/arm_schools.pdf.
New York City (NYC) data are from the NYC Comptroller, NYC Office of Management and Budget (Education Taskforce) and analyzed by the Office of the State Deputy Comptroller (OSDC).
- ² See Appendix A for 2015 federal aid and total revenues for counties, cities, towns, villages, school districts and New York City.
- ³ Data for fiscal year ending 2015 (referred to throughout the report as "2015") is the latest and most complete for all local governments.
- ⁴ See Appendix B for a 2015 categorical breakdown of federal aid distributed to local governments.
- ⁵ For more information on current federal programs for education and social services, go to <https://www2.ed.gov/programs/find/title/index.html?src=apply-page> (education) and <https://www.hhs.gov/programs/social-services/index.html> (social services).

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability

110 State Street, 12th floor
Albany, NY 12236

Tel: (518) 474-4037

Fax: (518) 486-6479

or email us: localgov@osc.state.ny.us

www.osc.state.ny.us/localgov/index.htm



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