

February 2020

FEMA Increase to Covid Reimbursement Means Over \$1 Billion More for the City

On March 13, 2020 then-President Trump declared a nationwide emergency related to the Covid-19 outbreak, allowing states and municipalities to be reimbursed for all eligible expenses accrued during their handling of the pandemic. According to guidelines issued at the time, the Federal Emergency Management Agency (FEMA) would reimburse localities 75 percent of their costs for eligible Covid-related expenses. Eligible expenses included:

- All necessary emergency protective measures in response to the pandemic, such as personal protective equipment, disinfectants, and sanitizers;
- The costs of emergency medical care, including specialized medical equipment, durable and consumable medical supplies, and temporary medical facilities, and medical sheltering for homeless individuals and those without room at home needing to quarantine;
- The purchase and distribution of food, water, and other consumable supplies;
- The costs of non-congregate medical sheltering; and the costs of vaccine distribution.

In order to fund the required 25 percent local match while not straining the city's already precarious financial plan, the deBlasio Administration elected to use funds allocated to the city as part of the federal Coronavirus Relief Fund (CRF) portion of the CARES Act. Under the CARES Act allocation formula, IBO estimated that New York City would receive approximately \$1.5 billion of CRF funding. The act required that the city use these funds to pay for "necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019." The CRF funds could only be used for eligible expenses that were not included in the city's budget before the CARES Act was enacted and must have occurred after March 1, 2020.

In April 2020, after a meeting at the White House, Governor Cuomo announced that the President had agreed to waive the cost-share requirement, increasing the FEMA reimbursement to 100 percent of eligible costs. Without an official announcement by FEMA on this policy change, however, the city continued to assume that it would be responsible for funding 25 percent of reimbursable expenses. The increase in FEMA reimbursements was never announced and the policy agreed to at the Governor's meeting was never formalized.

By the end of 2020, the city had spent approximately \$5.9 billion on Covid-19 related expenses, around \$4.6 billion of which was considered eligible for FEMA reimbursement. Under FEMA guidelines, at that level of expenditure the city would be responsible for \$1.15 billion of the \$4.6 billion of FEMA-eligible expenses; the city spent an additional \$1.3 billion on Covid-19 related expenses that were not eligible for FEMA reimbursement.

On January 14, 2021, the Mayor announced that he had received notification from Senator Schumer that the incoming Biden Administration had agreed to increase FEMA reimbursement of Covid-19 related eligible expenses nationwide. On February 2, 2021, President Biden signed a memorandum formally increasing the FEMA reimbursement rate for Covid-19 FEMA-eligible expenses to 100 percent. The President's action frees up the \$1.15 billion in federal Coronavirus Relief Fund dollars the city was allocating for its 25 percent local FEMA match for other uses. The Mayor plans to reallocate these CRF funds to pay for Covid-related costs that are not FEMA eligible, replacing the city tax-levy funding originally allocated for these expenses and freeing the city funds up for other uses. Covid-related costs that are FEMA-ineligible include the costs related to school reopening, non-delivery food programs, social services at city operated hotel shelters, resource navigators for Test



and Trace Corps, and non-overtime personnel costs of reassigned employees.

In response to the increase in FEMA reimbursement, the Mayor announced the restoration of funding for two Department of Education programs—Fair Student Funding and Universal 3K—that were scheduled for budget reductions in his most recent financial plan. Restoring the

cuts to the two programs would cost a total of \$198 million. The remaining \$952 million of city funds made available as a result of the increase in FEMA reimbursement has not yet been allocated to specific budget items and will likely be part of the Mayor’s Executive Budget proposal.

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