



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

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April 24, 2002

The Honorable G. Oliver Koppell
Council of the City of New York
250 Broadway
Room 1877
New York, NY 10007

Dear Council Member Koppell:

As you requested, the Independent Budget Office has reviewed the allotment of federal funds to New York City in the aftermath of the attacks on the World Trade Center and whether any portion of it may be available for city budgetary relief. To date, the Bush Administration has pledged \$21.7 billion to New York City and other affected localities to aid in recovery efforts. These funds have already been appropriated or allocated, and for the most part are not available for gap-closing purposes in fiscal years 2002 or 2003. However, the Mayor's Executive Budget does anticipate the receipt of \$225 million in federal disaster relief aid for fiscal years 2002 through 2004 that will be used for gap-closing purposes.

The \$21.7 billion in federal disaster assistance has come in three installments: the first in the September 2001 emergency appropriation, the second in the economic stimulus bill passed in March 2002, and the third in the supplemental appropriation that President Bush submitted to Congress in March, but which has not yet passed. The attached table summarizes the allocation of these funds.

September Appropriations. In the weeks following the terrorist attacks, Congress appropriated \$40 billion, at least half of which was intended for disaster assistance and relief for New York and other areas affected by the attacks. After the final allocations were complete, New York received about \$11.2 billion.

Over half the total—\$6.35 billion—was appropriated to the Federal Emergency Management Agency (FEMA). These funds are available to the City of New York and other public agencies (such as the Metropolitan Transportation Authority) and for assistance to individuals for certain disaster relief purposes as defined in the federal Stafford Act.

The federal government has also made \$2.7 billion available through the Community Development Block Grant (CDBG) program for loans and grants to retain and attract businesses and residents to downtown Manhattan. The Lower Manhattan Development Corporation (LMDC) has developed programs for \$1.6 billion to local businesses and residents. Proposals for

the remaining \$1.1 billion have not yet been released. This money is under the control of the LMDC—a state entity—and is not available to fund general city services.

The remaining \$2.15 billion is allocated for a variety of other purposes, including transportation grants, aid to individuals such as worker's compensation, and local counter-terrorism efforts.

Economic Stimulus Package. On March 9, 2002, President Bush signed an economic stimulus package that contained \$5 billion in benefits for New York City. Most of these provisions are tax expenditures intended to stimulate the private market, rather than cash grants or spending. The act includes an employment tax credit for businesses in Lower Manhattan and several other tax provisions that apply to business property located in the Liberty Zone, as summarized in the attached "Liberty Zone Tax Benefits."

In addition, the stimulus bill allows New York State and New York City to issue up to \$8 billion in supplemental tax-exempt private activity bonds. These bonds must be used for construction and rehabilitation of commercial property and residential rental property. If the city and state are unable to use all of the bonding authority in Lower Manhattan, up to \$1 billion can be used in other parts of the city, for commercial property only.

Finally, the stimulus bill grants authority to the state and city for one additional advance refunding for previously refunded bonds. The city projects savings of \$150 million in 2003 from this provision.

Supplemental Appropriation. On March 21, 2002, President Bush submitted a \$27.1 billion supplemental appropriation request to Congress for federal fiscal year 2002. This included \$5.5 billion for New York City. The President proposed allocating an additional \$2.75 billion in FEMA disaster relief funds, \$1.8 billion to build an intermodal transit station in Lower Manhattan, \$750 million to rebuild destroyed utility infrastructure, and \$167 million for reconstruction of the West Side Highway and other federally aided highways. These provisions must be passed by Congress, which has not yet acted on the request.

If the supplemental appropriation is passed, \$9.1 billion will have been appropriated to FEMA. In our estimation, however, the total need for FEMA disaster relief funds is likely to fall well short of this total. Senator Schumer has proposed that if, after all FEMA eligible recovery and rebuilding activity is complete, New York has not used the total FEMA appropriation, the difference should come to the city in other forms. However, the FEMA reimbursement process could easily take a decade or more, so it is not clear if or when these funds might be available. Congress will have to reappropriate the funds in order for them to be available for other purposes.

President Bush, acting through Executive Order, could make one change that could be of immediate benefit to the city. When the original FEMA aid was appropriated, the Bush Administration waived the usual requirement for a 25 percent local match. At the same time, however, the President reduced the amount available for "hazard mitigation" projects—projects designed to prevent or protect against future similar events—from 15 percent of the total FEMA funds eventually used by the city and other public agencies, to 5 percent. This amount will most

likely be insufficient to cover the eventual needs of the city, state, MTA, and Port Authority for anti-terrorism projects.

Federal WTC-Related Assistance to New York	
<i>Dollars in millions</i>	
Category	Funding for New York
September 2001 Emergency Appropriation	
• FEMA	\$6,350
• CDBG for Economic Development	2,700
• Transportation	390
• Repair/Relocation of Federal Offices	265
• Aid to Individuals	259
• SBA Loans	150
• Assistance to Hospitals	140
• Local Counter-terrorism Activities	81
• All Other	900
Subtotal: September 2001 Emergency Appropriation	\$11,235
Economic Stimulus Package	\$5,000
Federal FY 2002 Supplemental Appropriation	
• FEMA	\$2,750
• Intermodal Transportation Hub	1,800
• Utility Infrastructure	750
• Federal-aid Highway Repairs	167
Subtotal: Supplemental Appropriation	\$5,467
TOTAL	\$21,702
SOURCE: IBO	

Unrestricted Aid. The Mayor's Executive Budget for 2003 also anticipates receiving \$225.5 million in disaster-related aid from the federal government. The majority of this money—\$190.4 million—will cover capital costs for which the city will issue debt, taking the federal aid as general revenue. The balance is for other disaster-related expense budget spending.

In sum, while there is significant federal money coming to New York City and State as a result of the attacks on the World Trade Center, virtually all of these funds are allocated to specific programs. As a result, there is effectively no money available for gap closing in fiscal years 2002 and 2003, with the exception of the \$225 million identified in the Executive Budget.

Please feel free to call me at (212) 442-0225, Merrill Pond (212) 442-8616, or Molly Wasow Park (212) 676-9247 if you have further questions on this subject, or if we can provide assistance in any other way.

Sincerely,

Ronnie Lowenstein
Director