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World Trade Center Assistance: Aid Received, Aid to Come

Nearly two years after the World Trade Center disaster, many New Yorkers continue to wonder what has happened to the \$21 billion in aid promised by the President and Congress to help the city's recovery and rebuilding efforts. While some may have expected the money to come in one large check, that was never the intention. The aid is to be paid over time, through a variety of programs, as various phases of the recovery and rebuilding process continue.

In some cases, the city government receives the federal recovery dollars directly, while in other cases, money goes to businesses, individuals, nonprofits, and other branches of government—including federal agencies. In addition, \$5 billion—a quarter of the total recovery package—is the estimated 10-year cost of foregone tax revenue to the federal government from giving New York the authority to issue tax-free bonds and for giving downtown businesses tax breaks.

Because the funds are directed to a wide variety of recipients, it is difficult to answer precisely how much aid has been received. But we can track some of the larger pieces of the recovery

package. As of July 15, the city has received \$1.5 billion in reimbursements from the Federal Emergency Management Agency (FEMA) for the cleanup and recovery of the trade center site. Nearly \$500 million more has been granted to individuals for mortgage assistance, disaster unemployment, and other

aid. From a separate allocation of disaster-related Community Development Block Grant (CDBG) funds, just over \$1 billion in aid has been granted to businesses and individuals.

Much of the remainder of the assistance package includes funding for longer-term projects such as rebuilding downtown's transportation infrastructure and stimulating commercial and residential building. Most of these projects will take years to complete, so it will be many years before the full aid package is accounted for. A shortfall of at least \$1.15 billion exists between the transportation projects now under consideration and the \$4.55 billion appropriated by Congress. On the other hand, to date the city and state have allocated just \$962.5 million of the \$8 billion in Liberty Bond funding that is available to spur commercial and residential construction. There is some concern that we will not use the full amount available before our authority to issue the bonds expires on December 31, 2004.

World Trade Center Recovery Funds, as Appropriated	
<i>Dollars in millions</i>	
FEMA Disaster Assistance*	\$6,048
Liberty Bonds and Tax Expenditures	5,029
Disaster CDBG	3,483
FEMA Transportation Hub	2,750
USDOT Transportation Hub	1,800
All Other	2,193
TOTAL	\$21,303
SOURCE: IBO.	
NOTE: *Excludes FEMA funds for Virginia and Pennsylvania.	

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FEMA funds. FEMA is reimbursing New York City and State, the Port Authority of New York and New Jersey, the Metropolitan Transportation Authority (MTA), and some nonprofit organizations for eligible disaster recovery expenses they incurred, and has also provided assistance to individuals directly affected by the attack.

The city, state, and other public and private entities will receive reimbursement and hazard mitigation funding under the normal FEMA process. The city has received \$1.5 billion in reimbursements as of July 15, 2003, out of an expected total of \$1.9 billion. To date, the port authority has received \$237 million in FEMA reimbursements, out of an expected total of \$400 million. The MTA has received \$11.5 million, out of the \$18.1 million the authority expects to receive.

The FEMA reimbursement process typically is open-ended, and there is generally no ceiling or floor on total recovery funding—all eligible disaster response and recovery expenditures, as defined federally, are reimbursed. However, in this case, Congress authorized FEMA to provide to New York the full \$8.8 billion originally appropriated.

The \$8.8 billion includes \$2.75 billion in FEMA funding set aside for transportation, leaving \$6.0 billion. The city expects to receive \$1 billion for an insurance fund to cover any claims against the debris removal contractors or the city. As of July 2003, the city and FEMA are still negotiating how to structure this fund, and no money has been committed.

In addition, \$499 million has been spent on mortgage assistance, unemployment compensation and other aid to individuals and another \$260 million is being reimbursed to the city and state to cover pension costs for the families of fire fighters and police officers who died in the disaster. Funding of \$426 million also has been committed for hazard mitigation projects and \$425 million to reimburse other agencies for work done on FEMA's behalf.

After these allocations, any remaining funds will be released to the city and state for disaster-related expenses that are not normally reimbursable. To determine how much is available for release, FEMA cut off the reimbursement process on April 30, 2003. Eligible expenditures submitted after this date will still be reimbursed, but will be accounted for differently.

In total, New York City expects to receive at least \$883 million in post-cutoff FEMA funding. Of this total, \$317 million is for ordinarily reimbursable expenses that were or will be paid after the April 30 cutoff date. The remaining

\$566 million is the amount that FEMA currently estimates will be available for expenses not ordinarily eligible for reimbursement. However, the overall disaster accounting has not been finalized, and to the extent that there is under-spending in other programs, additional funding will be made available to the city and state.

Community development funds. Congress appropriated a total of \$3.483 billion in disaster CDBG funds in response to the attacks. The first \$700 million was controlled by the New York City Economic Development Corporation and the Empire State Development Corporation. The remaining money is under the auspices of the LMDC.

Just over \$1 billion in grants to businesses and downtown residents have been approved. The vast majority—\$856.1 million—is grants to businesses. The LMDC has recently released proposals for a portion of the remaining funding.

LMDC's new plans include some changes to existing programs. Demand for the Business Recovery Grant (BRG) program, which provides grants to businesses located south of 14th Street to compensate them for economic loss, exceeded available funds. As a result, LMDC has proposed adding resources to this program. The last day to apply for BRG program assistance was December 31, 2002. Although 19 percent of the applications came in the last two days of the program, the BRG figures should now be largely complete.

LMDC found there was little demand for the Employment Training Assistance Program, which was designed to provide employment training grants to businesses and nonprofit organizations. As a result, LMDC has proposed reallocating all but \$500,000 of the original \$10 million allocation. The recaptured funds will be used to support the BRG program.

LMDC also has proposed new programs, including substantial assistance to utility companies. In its August 2002 Supplemental Appropriations Bill, which included the final installment of disaster CDBG funds, Congress singled out utility infrastructure development as critical to Lower Manhattan's recovery. The LMDC's main priority for utility assistance is emergency reconstruction. If these programs are federally approved, utility companies will be eligible for reimbursement for all uncompensated costs incurred to stabilize service delivery and preserve public safety and health. The remaining utility assistance programs are designed to support permanent infrastructure development, and provide for partial reimbursement of a variety of expenses.

Disaster Related CDBG Programs, Spring 2003

Dollars in Millions

	Current Funding Status ¹	Grants Approved to Date
Business Assistance		
Business Recovery Grants (BRG) ²	\$555.5	\$558.0
Job Creation and Retention Grants and Loans ⁴	320.0	214.4
Small Firm Attraction and Retention Grants and Loans (SFARG) ³	155.0	51.4
Other	80.0	31.8
Employment Training Assistance	0.5	0.5
Grants to Firms Suffering Disproportionate Loss of Workforce (proposed)	33.0	NA
Business Assistance Subtotal	\$1,144.0	\$856.1
Individual Assistance		
Residential Grant Program ^{5,6}	\$280.5	\$160.0
Individual Assistance Subtotal	\$280.5	\$160.0
Utility Company Assistance (proposed)		
Emergency and Temporary Service Response	\$250.0	NA
Permanent Restoration and Infrastructure Improvements	\$330.0	NA
Construction of Conduit for Telecommunication Lines	\$50.0	NA
Construction of Redundant Fiber Connections to Critical Facilities	\$20.0	NA
Mandated Security-Related Infrastructure Improvements	\$21.5	NA
Service Interference	\$60.0	NA
Utility Company Assistance Subtotal	\$731.5	NA
Cultural Activities and Short Term Revitalization Projects		
River to River	\$0.5	\$0.5
Renovation of Columbus Park Pavilion (submitted to HUD)	\$0.4	NA
History and Heritage Downtown Marketing Initiative (submitted to HUD)	\$4.7	NA
Miscellaneous short-term capital projects (proposed)	\$69.4	NA
Cultural Activities and Short Term Revitalization Projects Subtotal	\$75.0	\$0.5
Program Support		
Administration & Planning	\$87.7	NA
Interim Memorial	\$0.4	\$0.4
Program Support Subtotal	\$88.0	\$0.4
TOTAL Programmed Funds	\$2,319.0	\$1,017.0
TOTAL Available Funds ⁶	\$3,483.0	
Difference	\$1,164.0	

SOURCES: IBO, ESDC, EDC, LMDC.

NOTES: (1) Includes currently proposed allocations awaiting HUD approval. (2) Business Recovery Grants approved as of 5/28/03, 5 months after program end date. BRG total includes EDC precursors. (3) SFARG approved funds as of March 13, 2003. Under the SFARG program, companies receive two payments based on employment levels, only one of which has been approved so far. SFARG approved to date assumes that employment levels remain constant through second grant payment. (4) Job Creation and Retention Grants and Loans approved as of 3/13/03. (5) Residential grants approved as of 5/31/03. (6) Some of the funding from the Residential Grant Program will be reallocated for affordable housing subsidies in conjunction with Liberty Bonds. The subsidy program will total \$50 million; to date it is not known what portion will come from reallocated funds and what portion from the remaining unallocated CDBG funding.

Finally, LMDC has proposed a series of relatively short-term infrastructure improvements and cultural programs designed to draw both city residents and tourists into Lower Manhattan. They include development of pocket parks, aesthetic improvements to streetscapes, improvements to Hudson River Park, and the construction of a new high school. Funding for some of these projects, including park development, will be channeled through the city's capital budget. If all the LMDC plans are approved, about \$1.16

billion of the disaster CDBG funds will remain unallocated.

Transportation. Congress appropriated \$1.8 billion for a Lower Manhattan transportation hub, and FEMA transferred \$2.75 billion in emergency aid for use for transportation projects, bringing the total to \$4.55 billion. In April 2003, Governor Pataki released a transportation plan developed in conjunction with New York City, the MTA, the port authority, the New York State Department of Transportation,

and the LMDC. The plan sets out between \$5.7 billion and \$9.9 billion in funding needs.

including \$532.0 for commercial projects and \$430.5 million for residential buildings. Demand for residential uses has exceeded that for commercial projects, and there is some

Proposed Allocation of \$4.55 Billion in WTC-Related Transportation Funding			
<i>Dollars in Millions</i>			
Project	Low Cost Estimate	High Cost Estimate	Status
Proposals Submitted to FEMA and FTA			
WTC PATH Terminal	\$1,400	\$1,700	RFP for architectural and engineering services issued
Fulton Street Transit Center	750	750	Environmental review underway, design work to begin mid-2003.
Upgrade South Ferry Station	400	400	Planning underway
Subtotal	\$2,550	\$2,850	
Other Projects			
JFK Airport Access	\$2,000	\$5,300	RFP for alternatives study issued.
Tour Bus Facility	500	500	Site alternative analysis underway.
West Street Promenade	400	900	Alternatives analysis and preliminary engineering underway.
Commuter Ferries	150	200	Planning underway
Street Reconfiguration	100	100	Planning underway
Subtotal	\$3,150	\$7,000	
TOTAL	\$5,700	\$9,850	
Available Funding	\$4,550	\$4,550	
Gap	(\$1,150)	(\$5,300)	
SOURCES: IBO; LMDC: "Lower Manhattan Transportation Strategies" (www.renewnyc.com).			
NOTE: Cost estimates the WTC PATH Terminal do not include additional \$300 million expected from insurance proceeds.			

Proposals for spending on transportation hub development must be approved by FEMA and the Federal Transit Administration. To date, three projects have been submitted, and work is moving forward on these initiatives.

The transportation plan considers a number of alternative funding sources for the remaining \$1.2 billion to \$5.3 billion in needs, including insurance proceeds, user fees, and the remaining disaster CDBG funds. Devoting the remaining CDBG to transportation would close the gap under the low-cost estimate. The LMDC has not indicated if it will commit these funds to transportation, and there are a number of competing proposals, including housing development, job creation, and expansion of cultural institutions.

Liberty Bonds. Congress also approved an economic stimulus package for New York that included a series of tax breaks for businesses, and the authority to issue up to \$8 billion in tax-exempt Liberty Bonds. Altogether, the 10-year cost to the federal government was estimated at \$5.0 billion. The city and state were each given control over half the total Liberty Bond authority. Up to \$1.6 billion of the \$8.0 billion total can be used for residential development. To date, the city and state have allocated \$962.5 million in Liberty Bonds,

concern that the city and state will be unable to issue the full \$8 billion before their bonding authority expires on December 31, 2004.

Conclusion. The city has been substantially reimbursed for its emergency response to the terrorist attacks of September 11, 2001. The city, state, and other entities are now focused on longer-term recovery projects, such as development of the transportation hub, enhancement of utility infrastructure, and long-term economic growth. Spending on these initiatives will be spread out over a decade or more, and will be directed to a variety of both public and private beneficiaries. It will thus take years before we know how much disaster recovery aid New York City actually received.

Written by Molly Wasow Park

Liberty Bond Allocations			
<i>Dollars in millions</i>			
	Total Bonding Authority	Funds Allocated	Proposed/Pending Projects
Commercial (EDC & ESDC)	\$6,400	\$532.0	\$1,100.0
Residential (HDC)	800	82.0	More than \$1 billion
Residential (HFA)	800	348.5	203.5
TOTAL	\$8,000	\$962.5	
SOURCES: IBO; New York City Housing Development Corporation (HDC); New York State Housing Finance Agency (HFA); New York City Economic Development Corporation (EDC).			