

The Incomplete and Uneven Federal Response to New York After 9/11

(Prepared by the Office of Congresswoman Carolyn Maloney)

The following is a list of particular concerns with the federal response to New York after 9/11:

- **The federal government has not contributed any funds for the estimated \$8.8 billion in lost tax revenue to the city and state from 9/11, as detailed in a GAO report.**

A recent General Accounting Office report states that estimates by New York City and State budget offices of \$1.6 billion in lost tax revenues to the City and \$1.6 billion in losses to the State in fiscal year 2002 as a result of the attacks were “reasonably approximate.” The report also accepts FY 2003 estimates of \$4.2 billion and \$1.4 billion in losses respectively, bringing the total loss to \$8.8 billion in losses over two years.

Legislation to repeal an arbitrary cap imposed on the amount of federal aid allowed to assist localities for lost tax revenues after national disasters was introduced in the last Congress and in this Congress, but has not yet come up for a vote. The cap on federal aid of \$5 million per disaster falls far short of the billions in tax losses incurred in New York after 9/11. New York elected leaders have written the administration many times on this subject, the most recent of which can be found at www.house.gov/maloney/press/107th/2002111402TaxRevenue.html

- **The federal government provided New York with a much smaller percentage of “mitigation” (safety enhancement) funding after 9/11, than has been allocated to other areas after prior national disasters.**

The percentage of “hazard mitigation” funding for New York has been set by the Bush Administration at 5% of overall FEMA costs associated with the disaster, rather than the traditional 15% that has typically been provided by the Bush administration after other disasters and by previous administrations for prior disasters. The funds are meant to help localities prevent and limit destruction in the event of future disasters.

Existing law – “The Disaster Mitigation Act of 2000” – gives the President the ability to provide hazard mitigation at up to 20% of overall FEMA costs associated with a disaster, but so far New York is still being helped at only the 5% level.

The attached Congressional letter of February 5, 2003 notes that, “With the current percentage of funding, which FEMA has reported will amount to approximately \$417 million in aid, New York will not be able to take the immediate steps necessary to make the City and the surrounding areas safer. If the level of funding were set at the percentage historically used (15%), then the total amount available would be \$1,261 million, enough to begin the process of making New York City and its citizens safer.”

- **Recovery grants to businesses and residents living closest to Ground Zero are being treated as “income,” - making them taxable and jeopardizing eligibility for other federal benefits. In addition, those who accept the aid are being notified that the grants will be considered “income” only after they receive the funds, or not at all.**

Federal law specifically prohibits the treatment of federal funds as income if those funds are part of disaster aid after a Presidentially declared national disaster. The recovery grants to businesses and residents in lower-Manhattan are from funds specifically appropriated by Congress for New York’s recovery after 9/11 and are being distributed through the Lower Manhattan Development Corporation (LMDC), an entity set up specifically to assist in the recovery after 9/11.

Taxation of these grants threatens the viability of small businesses still struggling to overcome the impacts of 9/11, and the treatment of residential grants as income could lead to thousands of low-income residents losing other vital federal benefits like Social Security SSI payments, housing assistance, Medicaid health coverage, and food stamps. So far, there has been no effort on the part of the administration to reverse these decisions. Congressional letters on the issue can be found at www.house.gov/maloney/press/108th/20030407notaxongrants.html

- **FEMA’s mismanagement of individual aid programs for New Yorkers affected by the disaster left thousands without needed housing aid and with limited assistance for lost and damaged property from the disaster.**

A broad cross-section of New York leaders in late April of 2003, urged action by Homeland Security Secretary Tom Ridge, to fix severe faults in FEMA's delivery of aid to victims of 9/11 through the Mortgage and Rental Assistance program (MRA). Over 100,000 individuals lost their jobs because of 9/11 but less than 15% received help through the MRA program.

In a 14 page letter to Ridge, from Congresswoman Carolyn Maloney, City Council Member Alan Gerson, Margie McHugh, Executive Director of the New York Immigration Coalition (NYIC), and more than one hundred New York leaders, including several members of New York’s Congressional delegation, FEMA's numerous failures in managing the MRA program are documented along with details of the acute unmet needs of tens of thousands of individuals impacted by 9/11 (www.house.gov/maloney/press/108th/20030429MRA.html).

In addition, FEMA’s mismanagement of the Individual and Family Grants program (IFG), meant to help people with lost or damaged property, caused enormous confusion, delays, and errors in the delivery of aid to thousands. Congressional letters written to the administration on the subject, urge FEMA to 1) immediately takeover management of the IFG program from the State Labor Department, 2) reform and publicly clarify guidelines for the program so people who are still in need can actually understand what is available to them, and 3) extend the registration period for the IFG program, with the reformed and clarified rules, in recognition of the program’s failures to date (<http://www.house.gov/maloney/press/108th/20030227IFG.html>).

- **FEMA's response to the needs of school children in New York after 9/11 and to the losses of other institutions impacted by the disaster was rigid and delayed aid needed urgently, for more than a year.**

After months of effort by elected officials and others in New York City, the Bush administration announced on October 23, 2002 that it would reverse an earlier decision, and finally reimburse the city school system \$80.5 million to make up for direct losses from the terrorist attacks, including damaged text books, environmental clean-up of schools, and lost instructional time.

Later, in March of 2003, a year and a half after the disaster, FEMA and the State of New York finally approved a long-standing request for \$33 million in federal aid to cover costs associated with the mental health needs of New York City students after the 9/11 terrorist attacks. It remains unclear as of May 2003 whether the \$33 million allocated has actually been provided to school authorities in a way that makes appropriate treatment available to students.

In addition, after persistent efforts to convey to FEMA that NYU's disaster-related losses and Pace University's disaster-related losses were deserving of federal aid, FEMA reversed an earlier decision, based on a rigid interpretation of guidelines, to deny aid to these schools, and finally directed \$9 million in federal aid for New York University and approximately \$1 million for Pace University for costs related to the terrorist attacks.

- **Working to Secure Funding for Rescue Workers' Health Screening**

In January of 2003, after a third report highlighting the significant health impacts of Ground Zero toxins on recovery workers, a delegation of New York members of Congress asked the President for a fourth time to support the allocation of federal funds for a medical screening program to help.

They also asked the President for a fourth time to meet with members of the New York delegation in an effort to develop the program rapidly and decrease the risk of more serious, long-term health problems for rescue workers.

Finally in the omnibus budget bill passed and signed by the President in February 2003, the funds for this monitoring program were provided, **but funds for treatment remain needed** (www.house.gov/maloney/press/108th/2003021390million.html).