



COVID-19 UPDATE
To the Members of the Syracuse Builders Exchange
Earl R. Hall, Executive Director
May 1, 2020

Today, approximately 22% of the American labor force is unemployed which is almost 36 million people out of work. This includes the 3.5% who were already unemployed before the COVID-19 pandemic and the over 30 million new jobless who joined in the last six weeks.

It is an unimaginable number of people who have filed for unemployment since the coronavirus pandemic initiated nationwide shutdowns and a severe economic downturn weeks ago. New York State, in particular New York City, has endured the most significant blow. In late March 2020, the United States Labor Department registered 3.3 million jobless claims in a single week, shattering previous records. Each subsequent week, the figures released are of a magnitude that would have seemed impossible months ago: 6.9 million, 6.6 million, 5.2 million, 4.4 million respectively.

Central New York is not immune from the severe economic and societal devastation the shutdown has had on people and businesses. Although New York has endured the most COVID-19 cases and deaths, there is evidence the worst of the pandemic is behind us. New York Governor Andrew Cuomo and various County Executives have hinted that construction may be one of the first industries to "reopen" in a structured, organized and timely "un-pausing" when New York begins to rebuild our economy.

Upstate NY Construction Un-Pause Plan

While the Governor has not indicated when construction may resume, construction industry executives across upstate New York are preparing for a May 15, 2020 un-pause date in various markets throughout upstate New York. The Governor has requested industries and/or businesses "reimagine" how they will do business once the un-pause order is lifted. He asked industry professionals to submit reopening plans for his team's consideration as his decision will be dependent upon evaluating new best practices recommendations.

Over the past few weeks, various construction Association executives have held weekly meetings to review and discuss a wide variety of issues impacting the industry and construction employers. Earlier this week our agenda included developing a unified plan to present to Governor Cuomo's internal team as they evaluate recommendations and best practices for industries.

The attached PDF was delivered to the Governor's Executive Chamber earlier this week. It was well received with an immediate acknowledgement that such would be carefully considered as the Governor and his internal team perform their review of when, where and how to reopen construction.

In addition, the attached plan has been delivered to the various County Executives throughout our 16-county central New York region. I suspect each county will need to evaluate their own reopening schedule as the COVID-19 data and statistics are different by county. Our member employers travel extensively throughout the 16-county region, and throughout upstate New York, so delivering one, unified set of recommendations is important, so the industry abides by one set of industry best practices.

I'd like to thank SBE attorney Edward Sheats of Sheats and Bailey, PLLC, and Mike Elmendorf, President & CEO of the Associated General Contractors, as both were very helpful in assisting me with the review and development of the plan.

New York State Budget Crisis

Although New York State passed the 2020/2021 budget on time, it anticipates a \$13 billion deficit. There will be significant cuts across the board during the next 11 months, evident by the detailed analysis and report from the below 2021 New York State Enacted Budget Financial Plan. Below is an Executive Summary –

- The State's updated economic outlook for Fiscal Year (FY) 2021 is bleak. Most key measures of economic output are expected to drop sharply in comparison to FY 2020, and unemployment in the State is expected to average over 11 percent in FY 2021.
- The pandemic's impact on economic activity has rendered the FY 2021 Executive Budget receipts estimates obsolete. In comparison to the February Plan, Department of Budget (DOB) has reduced the FY 2021 estimate for General Fund receipts by \$13.3 billion. All Funds tax receipts alone are down by \$12.4 billion -- a 14 percent reduction in a span of two months. Unlike the Federal government, the State does not routinely borrow for operating expenses and must balance its budget with reductions that correspond to the reduction in revenues.
- The dramatic decline in General Fund receipts is not a one-year problem. DOB expects the reduced receipts to carry through each subsequent year of the Financial Plan, creating a total loss of \$60.5 billion through FY 2024 compared to the Executive Budget. Keep in mind the 2020/2021 budget is \$177 billion.
- Federal legislation provides almost no unrestricted aid to replace the severe loss in expected State tax receipts. The temporary FMAP increase is estimated to provide \$1.45 billion in savings in FY 2021, however Medicaid enrollment growth as a result of the recession may erode the value the FMAP benefit. The current FMAP benefit leaves 97.6 percent of the four-year receipts loss to be solved by the State. This must be done mainly with cuts to spending.
- With no assurance of direct Federal aid – and in awareness that FY 2021 collections from taxes and other receipts are likely to fall materially below the level needed to fund authorized disbursements -- the Enacted Budget grants the Budget Director the authority to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB. In addition, the Director is authorized to withhold and reduce specific local aid payments during the fiscal year.

- The Financial Plan includes \$8.2 billion in recurring reductions in aid-to-localities disbursements that will be executed pursuant to the budget-balance and withholding authority granted in the Budget. DOB is preparing a detailed plan itemizing the specific appropriations and disbursements that will be reduced or withheld and expects to transmit the plan to both houses of the Legislature in May.
- All current and planned capital projects will be reviewed and prioritized by DOB and Executive Chamber. In the interim, agencies and authorities are barred from entering into new contracts for capital projects except where not initiating a project would pose an imminent threat to public health and safety.
- The magnitude of reductions in the aid-to-localities savings plan will depend on the programs that are included or excluded from reductions, the level of targeted reductions in certain areas that are achievable, and the availability of unrestricted Federal aid.
- The scope and depth of the reductions to local aid programs needed to balance the FY 2021 Budget have no precedent in modern times. In the absence of Federal aid, nearly every activity funded by state government in the aid to localities budget -- from special education to children's health insurance to residential services for vulnerable populations to substance abuse programs to school property tax relief to direct aid to localities to operating aid to mass transit to higher education -- will face steep cuts.
- Spending for State agency operations will also be reduced steeply, with hiring, salary increases, and purchasing all put on hold.
- State spending, excluding the impact of liquidity financing, is expected to decline by \$7.3 billion in FY 2021, a decrease of 7.1 percent from FY 2020 results. This is the largest annual percent decline in spending since the Great Depression.
- The wide-ranging economic, health, and social disruptions caused by the COVID-19 outbreak are having an adverse impact on State authorities and localities, including the Metropolitan Transportation Authority (MTA) and the City of New York. The aid-to-localities reductions that will need to be taken in this Financial Plan may materially and adversely affect the financial position of the MTA, the City of New York, and other localities.

While it is a very long read, it provides in depth information and details as to the severity of the budget crisis and the draconian measures anticipated to attempt to balance the budget from 2020-2024. <https://www.budget.ny.gov/pubs/archive/fy21/enac/fy21-enacted-fp.pdf>

What's Next

Over the next 2 weeks, SBE will be working on hosting a series of COVID-19 related webinars to prepare construction industry employers for the reopening of construction:

OSHA- What contractors can expect when OSHA visits your job site (see attached PDF)

HR/Risk Management- What contractors need to know when construction resumes

Legal – Legal matters to be aware of upon reopening of the industry and what to consider when bidding future projects.

I will continue to work with my industry peers and elected officials to encourage a responsible and timely reopening of all construction activity throughout upstate New York. As soon as the Builders Exchange has verifiable information on the resumption of the regional construction industry, we will notify our members immediately. As of today, we are preparing for a May 15, 2020 resumption, however, the Governor has not indicated such will happen. Feel free to contact me with any questions or concerns.

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