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Governor's Proposal Would Add to New York City's Increasing Share of Cash Assistance Costs

Governor Cuomo's 2020-2021 Executive Budget would raise the city's share of Family Assistance and Emergency Assistance for Families from 10 percent to 15 percent. As proposed in the Governor's budget, New York City is the only jurisdiction in the state that would be affected by the change. The de Blasio Administration estimates that this would cost the city an additional \$68.0 million annually.

The funding change would primarily affect two program areas in the city's budget: cash assistance grants in the Human Resources Administration and family shelter services in the Department of Homeless Services. This budget brief will focus on cash assistance (a separate report will cover the budget effect on homeless services).

If implemented, the Governor's proposal would be the latest in a series of policy decisions at the state level that—combined with changes in the cash assistance caseload—have substantially increased the city's share of cash assistance funding.

The proposal would affect \$455.4 million in federal grants that fund family assistance (\$414.7 million) and emergency assistance (\$40.7 million). Forcing the city to increase its match from 10 percent to 15 percent would increase city costs for cash assistance by \$25.3 million, and would free up an equal amount of federal dollars for the state to redirect to cover other state priorities.

Three Cash Assistance Programs. As a result of the 1996 federal welfare legislation and the 1997 implementing legislation adopted by New York State, the state and city have three distinct cash assistance programs. Those on Family Assistance qualify for federal Temporary Assistance for Needy Families (TANF) grants. Eligible households with minor children can receive up to 60 months of TANF-funded benefits. Prior to 2011, the cost of Family Assistance was split between the federal government, which paid 50

percent, and the city and state, which each paid 25 percent of the cost. Emergency Assistance for Families, which provides up to four months of grants for families in danger of homelessness, was similarly funded.

Needy single adults or couples without children are not eligible for Family Assistance but can receive benefits from the state's Safety Net Assistance program. Safety Net Assistance was originally funded jointly by the city and state, each paying 50 percent of the cost, with no federal contribution. Families that reach their 60 months of federal TANF eligibility who are still eligible for benefits can shift to the 60 Month Converted to Safety Net program, which at the time was also funded equally by the city and state. As with basic Safety Net, there was no federal funding for the 60 Month Converted program.

Beginning in the 2011-2012 state budget, the funding formulas for all three cash assistance programs have been revised frequently. When combined with changes in the caseload, these revisions have substantially increased the city's share of cash assistance costs.

Caseload Trends. Because of the differences in the way the programs are funded, the city's share of overall funding for cash assistance depends on the relative sizes of the three programs. In December 2000, 83.7 percent of all cash assistance recipients in the city were on the federally funded Family Assistance program. In December 2001, however, the first cohort of Family Assistance recipients reached their 60-month limit and switched to the 60 Month Converted program. Over the next several months, the number of Family Assistance recipients steadily decreased while 60 Month Converted recipients increased. By December 2003, when this process had stabilized, the share of Family Assistance recipients had dropped to 47.0 percent, while 30.7 percent received 60 Month Converted



New York State Funding Policy Changes									
Year Enacted	Emergency Assistance for Families			Family Assistance			Safety Net Assistance and 60 Month Converted		
	City	State	Federal	City	State	Federal	City	State	Federal
1997	25%	25%	50%	25%	25%	50%	50%	50%	0%
2011	0	0	100	0	0	100	71	29	0
2015	10	0	90	0	0	100	71	29	0
2019	10	0	90	10	0	90	71	29	0
2020 (Proposed)	15	0	85	15	0	85	71	29	0

SOURCE: New York State Division of the Budget
NOTE: 2020 changes are proposed in the Governor's Executive Budget

New York City Independent Budget Office

benefits and 22.3 percent received Safety Net Assistance. This caseload shift resulted in a substantial decrease in federal funding for cash assistance, and a corresponding increase in state and city funds.

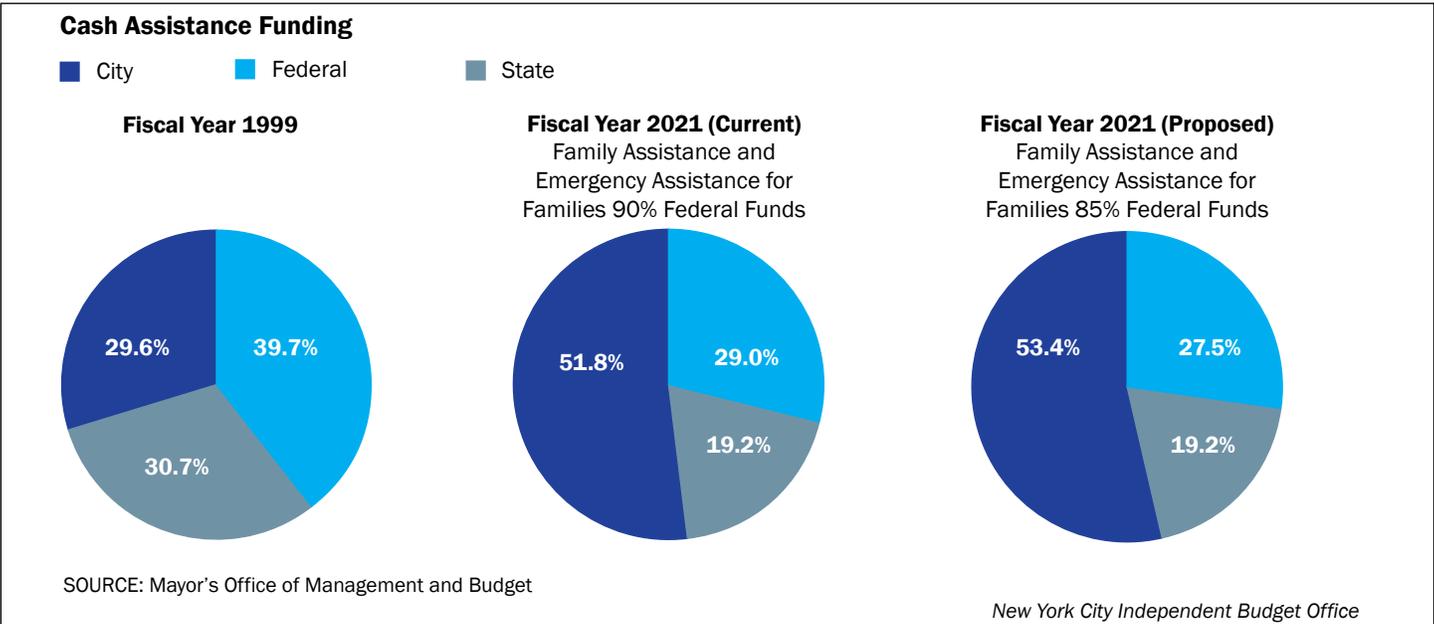
In the years since 2003, there has been a gradual but substantial decrease in both the number and share of Family Assistance recipients. By December 2019, the share of cash assistance recipients receiving Family Assistance had fallen to 33.2 percent from 47.0 percent in 2003. There was a more modest decline in the share of 60 Month Converted recipients, from 30.7 percent in 2003 to 25.2 percent in December 2019. In contrast, there has been a notable increase in both the number and share of Safety Net recipients; the Safety Net share nearly doubled from 22.3 percent in 2003 to 41.6 percent in December 2019.

The change in the relative sizes of the three cash assistance programs reflects the changing demographics of grant recipients. The city's cash assistance recipients are now

more likely to be adults, and in particular, adult men. From January 2004 through January 2019, the share of cash assistance recipients who were minor children gradually decreased from 57.2 percent to 44.5 percent. In contrast, the share of all recipients who were adult men increased from 14.0 percent to 22.2 percent over the same period.

Because of the different ways that the three cash assistance programs are funded, the caseload trends have increased the city's share of overall cash assistance costs. In addition, state policy decisions have magnified the fiscal impact of the caseload changes.

State Policy Changes. In state fiscal year 2011-2012, the Governor proposed and the Legislature enacted major changes in the way that the three cash assistance programs are funded. The state allocated more of its TANF block grant to Family Assistance, increasing the federal share for the program from 50 percent to 100 percent. This benefited both the city and state, which no longer had



to contribute 25 percent each. This advantage to the city was offset, however, by changes to the Safety Net and 60 Month Converted programs, which had previously been funded with 50 percent state and 50 percent city shares, but now were funded with 71 percent city and 29 percent state shares.

When combined with the caseload trends, the 2011-2012 funding revisions have increased the city's share of cash assistance grant costs. The new funding formulas meant that as the Family Assistance caseload decreased, there were no city savings since the program had become entirely funded by the federal government. On the other hand, as the Safety Net caseload increased, the city was required to pay 71 percent of the cost, while the state paid only 29 percent.

Then in state fiscal year 2015-2016, the Governor proposed and the Legislature enacted another funding formula change, this time to the TANF-funded Emergency Assistance for Families program. The program had previously been funded entirely with federal funds. The formula change required the city to pay 10 percent of program costs. While the change had only a very modest impact on cash assistance, it set a precedent. In 2019-2020, the Governor and the Legislature extended the 10 percent city match to the Family Assistance program, which had a larger impact on the city's cash assistance burden.

The net result is that New York City now pays a far higher share of the cost of its cash assistance programs than it did two decades ago. In city fiscal year 1999, the city

was responsible for 29.6 percent of total cash assistance grant costs, while the state paid 30.7 percent and the federal government paid 39.7 percent. In the Mayor's 2021 Preliminary Budget, the de Blasio Administration estimates that the city share has risen to 51.8 percent, while the state share has decreased substantially to 19.2 percent and the federal share has declined to 29.0 percent.

The Governor's Proposal. Governor Cuomo's 2020-2021 Executive Budget proposes to increase the city share of both Family Assistance and Emergency Assistance for Families from 10 percent to 15 percent. Since the city's 2021 cash assistance budget includes a combined \$455.4 million in federal funds for these two programs, a 5 percentage point increase in the city share would cost New York City an additional \$25.3 million annually. This would increase the city's expected share of cash assistance grant costs in 2021 from 51.8 percent to 53.4 percent, further adding to the city's funding obligations for programs that are mandated under federal and state laws.

Because the source of federal funds for both Family Assistance and Emergency Assistance for Families is the TANF block grant, the proposed reduction in the federal share would not result in a decrease in federal spending. Instead, the funding switch would free up TANF funds that the state could then use to cover other priorities.

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