

March 2019

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

Governor Cuomo's 2019-2020 Executive Budget would require the city to pay 10 percent of the cost of Family Assistance grants, which are currently funded entirely with federal funds. 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 \$125 million annually. The funding change would primarily impact 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 report focuses on cash assistance (a report looking at the effect on family shelter services will follow shortly).

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.

Currently federal dollars fund \$527 million in family assistance grants paid to cash assistance recipients; forcing the city to pick up 10 percent, or \$52.7 million, of these costs 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. Needy 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

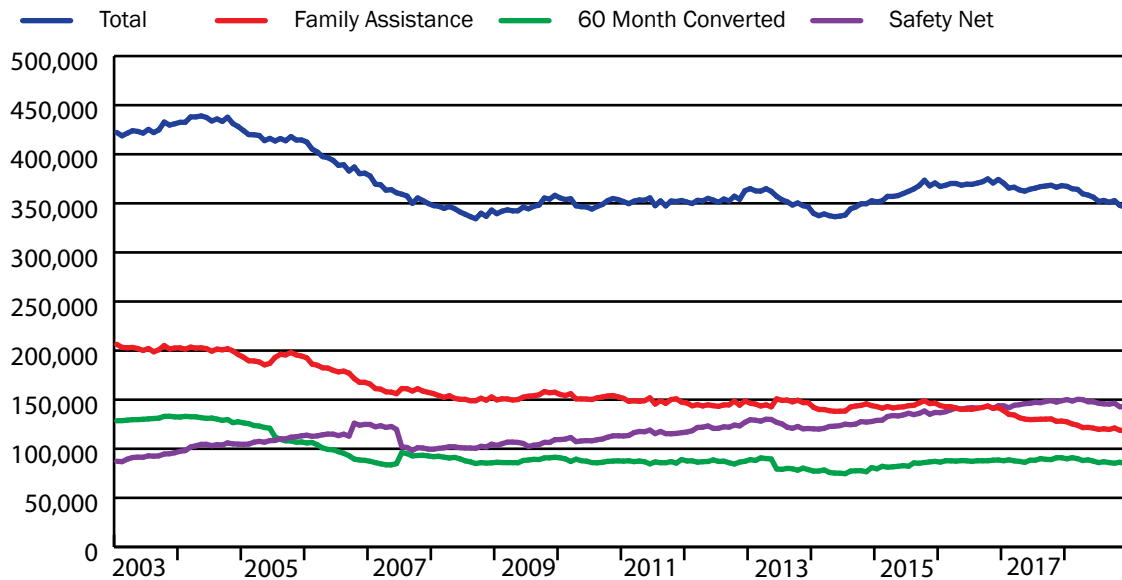
of the cost. Needy single adults or couples without children are not eligible for Family Assistance but can receive Safety Net Assistance benefits. Safety Net Assistance was originally funded jointly by the city and state, each paying 50 percent of the cost, with no federal contribution. Families that 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 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.

In the 2011-2012 state budget, the funding formulas for all three cash assistance programs were revised. Since then Family Assistance has been funded with 100 percent federal TANF funds, while the Safety Net and 60 Month Converted programs are funded 71 percent by the city and 29 percent by the state.

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 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.



Safety Net Recipients Make Up a Rising Share of the Cash Assistance Caseload



SOURCE: Human Resources Administration

New York City Independent Budget Office

In the years since then there has been a gradual but substantial decrease in both the number and share of Family Assistance recipients. By December 2018 the share of cash assistance recipients receiving Family Assistance had fallen to 34.2 percent from 47.0 percent in 2003. There was a more modest decrease in the share of 60 Month Converted recipients from 30.7 percent in 2003 to 24.6 percent in December 2018. 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 41.3 percent in December 2018.

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 have become more likely to be adults, and in particular, adult men. From January 2004 through January 2018, the share of cash assistance recipients who were minor children gradually decreased from 57.2 percent to 45.1 percent. In contrast, the share of all recipients who are adult men increased from 14.0 percent to 21.8 percent.

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. The fiscal impact of the caseload changes, however, has been magnified by state policy decisions.

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. For Family Assistance the federal share was increased 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 the 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.

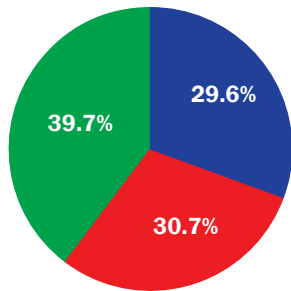
When combined with the caseload trends, the 2011-2012 funding revisions have increased the city's share of cash assistance grant costs. The new funding formulas meant that as the Family Assistance caseload decreased, there were no city savings since the program was now funded entirely with federal funds. 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.

The net result is that New York City now pays for 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 in the city, while the state paid 30.7 percent and the federal government paid 39.7 percent. In the Mayor's 2020 Preliminary Budget, the de Blasio Administration estimates that the city share has risen to 44.4 percent, while the state share has decreased substantially to 19.6 percent and the federal share has declined more modestly to 35.9 percent.

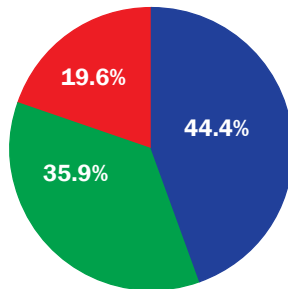
City Shoulders a Growing Share of Cash Assistance Costs

■ City Funds ■ State Funds ■ Federal Funds

Cash Assistance Funding 1999

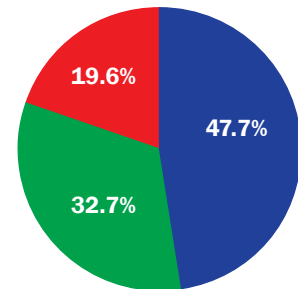


Cash Assistance Funding, Current
Family Assistance 100% Federal Funds



Cash Assistance Funding, Proposed

Family Assistance 90% Federal Funds, 10% City Funds



SOURCE: Mayor's Office of Management and Budget

New York City Independent Budget Office

The Governor's Proposal. 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, which funds emergency aid to families in danger of homelessness, had previously been funded entirely with federal dollars. 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.

Governor Cuomo's 2019-2020 Executive Budget proposes to extend this funding approach to the Family Assistance program. Since the city's 2020 cash assistance budget includes \$527 million in Family Assistance funds, a 10 percent city share would cost the city about \$53 million annually. This would increase the city's expected share of cash assistance grant costs in 2020 from 44.4 percent

to 47.7 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 Family Assistance is the TANF block grant, the proposed reduction in the federal share of Family Assistance 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 support programs that would otherwise require state funds.

The Senate and Assembly released their own budget bills earlier this week. The Assembly would reduce the Governor's proposal to 5 percent, while the Senate rejects it completely.

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