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## Preventing a NYCHA Budget Crisis

### **Key Findings**

- The New York City Housing Authority (NYCHA) houses over 500,000 New Yorkers and receives a majority of its funding from the federal government, leaving it especially at risk of impending federal budget cuts. New York State must be prepared to fill gaps in both the operating funding and capital funding for NYCHA.
  - With Section 8 funding included, federal funds make up 68 percent of the overall NYCHA operating budget.
  - Over 2024-2028, NYCHA expects \$4.5 billion in capital funding from the federal government.
  - NYCHA's Section 9 program received \$1.3 billion in federal operating subsidies in 2024 — 45 percent of NYCHA's Section 9 operating budget.
- Current state budget negotiations could allocate a historic amount of state funding to the NYCHA budget, though may still fall short of the need. Historically, the State contributes very little to NYCHA's budget.
  - Both the Senate and Assembly propose appropriating \$100 million to NYCHA operations.
  - The Senate earmarks an additional \$500 million of the City of Yes capital funds for NYCHA, making a total NYCHA capital allocation of \$525 million.
  - The Assembly earmarks \$25 million of the City of Yes funds for NYCHA (same as the Executive) and *additionally* includes another \$750 million (not from City of Yes funds) for NYCHA capital funding.

### **FPI Recommendation**

FPI strongly encourages the Governor and Legislature to adopt the Assembly's one-house proposal with regards to NYCHA funding. The State must also prepare to backfill lost federal operating funding.

## Introduction

The New York City Housing Authority (NYCHA) is the largest single landlord in New York City, with over 361,000 people living in public housing in New York City. NYCHA also administers the city’s Section 8 program, which serves another 167,000 low-income residents using housing choice vouchers. Over recent years, NYCHA has relied heavily on federal funding for both its operating budget and capital budget. Without these federal funds, NYCHA will face severe budget cuts and may fail to make much needed safety improvements for residents, such as lead remediation and heating improvements. The Trump administration has promised large cuts to federal housing funding and has already made significant cuts to the US Department of Housing and Urban Development (HUD), which funds public housing authorities through section 9 of the US Housing Act of 1937 (often referred to as “Section 9”). To remedy likely cuts, New York State must be prepared to fill gaps in both the operating funding and capital funding for NYCHA.

In its 2024-2028 five-year plan, NYCHA projects receiving over \$1 billion annually from the federal government in operating support and \$4.5 billion over five-years in capital funds. In contrast, NYCHA has not received any operating funds from the State of New York in recent budgets and projects only \$355 million from the State in their 2024-2028 capital budget.

State investment in NYCHA is long overdue. NYCHA has been underfunded by the federal government for decades, with State and City policymakers taking little responsibility for the security of the program’s finances and the safety of residents’ housing. This year, the Executive Budget allocates just \$25 million to NYCHA. The Senate and the Assembly both allocate \$100 million in operating funds, and an additional \$525 million and \$775 million, respectively, in capital funds. These proposals from the Legislature, though much better, still fall short of sufficiently protecting the NYCHA budget from federal risks.

FPI strongly encourages the Governor and Legislature to adopt the Assembly’s one house budget proposal with regards to NYCHA funding. The Assembly allocates more funding than the Governor and the Senate, while still preserving funding for other housing initiatives in the City, funded by City of Yes. FPI also proposes increasing operating support for NYCHA to at least \$500 million, in expectation of steep federal cuts.

Table 1. NYCHA funding proposed in fiscal year 2025-2026 state budget proposals

	Operating Funds	Capital Funds
<b>Executive</b>	\$ 0	\$25 million of City of Yes funds
<b>Senate</b>	\$ 100 million	\$525 million carved out of City of Yes funds
<b>Assembly</b>	\$ 100 million	\$25 million of City of Yes funds + \$750 million of additional funds (on top of City of Yes)

## Federal Operating Funds

A very large proportion of NYCHA’s operating budget comes from federal funding. NYCHA’s operations primarily involve the administration of two programs: 1) NYCHA’s public housing, referred to as “Section 9,” and 2) administration of the federal housing choice voucher program in New York City, referred to as “Section 8.” NYCHA’s Section 9 program received \$1.3 billion in federal subsidies in 2024—45 percent of NYCHA’s budget apart from Section 8. With Section 8 funding included, federal funds make up 68 percent of the overall NYCHA operating budget.

In its 2024-2028 operating budget, NYCHA projected receiving stable funding of about \$1.3 billion in federal Section 9 subsidies and a growing amount in Section 8 voucher funding, rising from \$2 billion in 2024 to over \$2.7 billion by 2028. In contrast, NYCHA’s five-year operating budget projected very little in funding from the State or City governments, with just over \$200 million projected from annual City funds and only about \$380 million expected from all other sources combined. Examination of recent New York State budgets shows no operating support for NYCHA.

It remains uncertain how the federal administration will alter NYCHA’s funding. However, there is relative consensus that the funds most at risk are those allocated under Section 9 (included in “federal operating subsidies” in Table 2). Section 9 funding could be cut dramatically under the Trump administration, causing major issues for NYCHA’s daily operations and the maintenance of its apartments.

Table 2. NYCHA Operating Revenue Projections, Fiscal Years 2024-2028

*Millions of US Dollars (\$)*

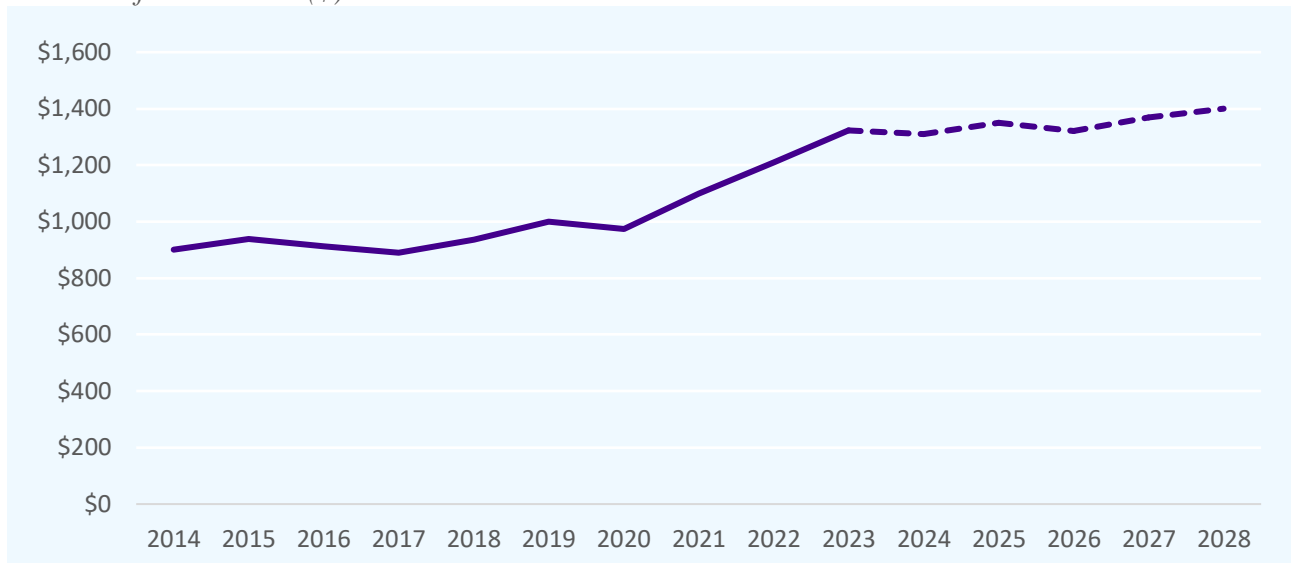
	Federal Operating Subsidies	Section 8 Subsidy	Tenant Rent	City Funds	Other	Total Revenue
<b>2024</b>	\$1,310	\$2,080	\$959	\$205	\$406	\$4,960
<b>2025</b>	\$1,350	\$2,365	\$896	\$207	\$411	\$5,229
<b>2026</b>	\$1,321	\$2,485	\$895	\$210	\$382	\$5,293
<b>2027</b>	\$1,369	\$2,606	\$896	\$211	\$382	\$5,464
<b>2028</b>	\$1,400	\$2,731	\$915	\$211	\$382	\$5,639

## Federal Capital Funds

Federal funding is also essential to NYCHA’s current capital investments. NYCHA depends on federal funding to support its capital plan in two ways: 1) NYCHA received grants that directly contribute to capital improvements, and 2) NYCHA has begun to transition some of its Section 9 developments into Section 8-funded developments via the Permanent Affordability Commitment Together (PACT) and the Public Housing Preservation Trust (the “Trust”) for the express purpose of leveraging the more stable Section 8 funding so that project can take on more debt that will fund and expedite much needed capital improvements.

Figure 1. NYCHA federal operating subsidies

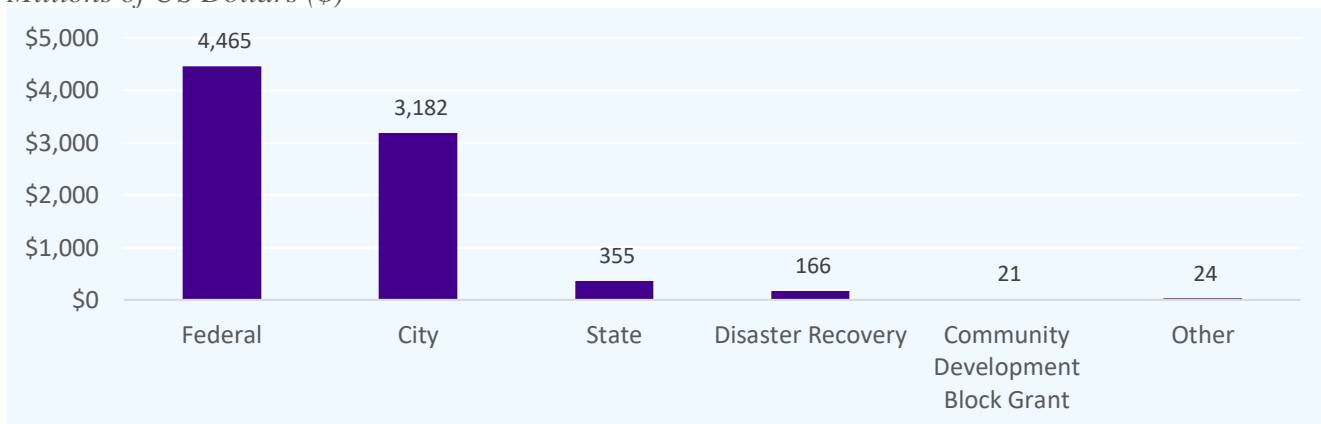
Millions of US Dollars (\$)



The direct federal capital grants that NYCHA receives flow into NYCHA’s reported capital budget. In the 2024-2028 five-year capital budget, NYCHA projected \$4.5 billion in funding from the federal government as well as \$3.2 billion in funding from New York City. In contrast, NYCHA projected that the New York State government would contribute just \$355 million to NYCHA’s capital budget over the entire 2024-2028 period. In her 2026 Executive Budget, Governor Hochul only allocated \$25 million to NYCHA’s capital program (part of the \$1.025 billion in funds that the state committed as part of the final “City of Yes” program). \$25 million is far short of what would be needed to make up for federal funding declines and even short of the \$355 million projected over the next five years. The Senate and Assembly propose allocating \$525 million and \$775 million to NYCHA’s capital budget, respectively. Each of these proposals would be vast improvements over the Governor’s meager allocation.

Figure 2. Sources of capital funding, planned five-year capital budget for 2024-2028

Millions of US Dollars (\$)

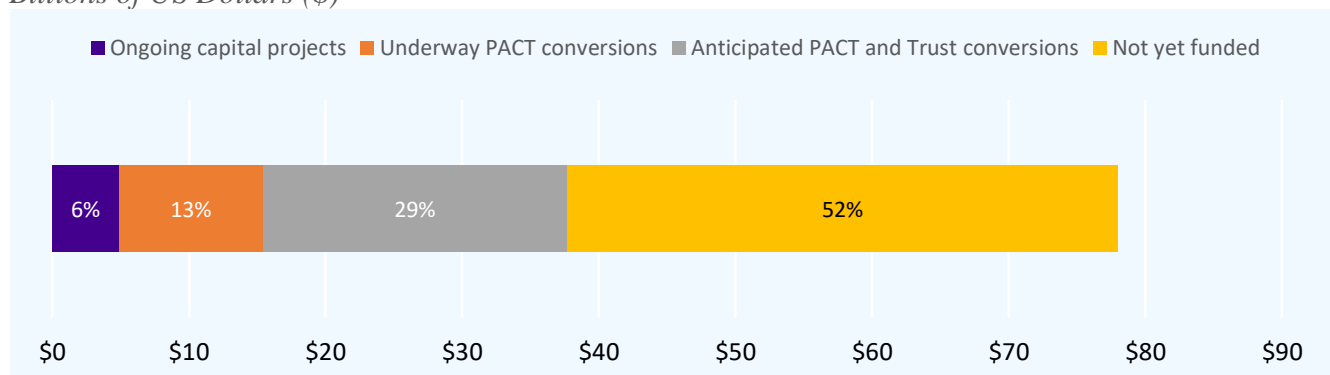


Federal funding also enters the NYCHA capital budget through the Permanently Affordable Communities Together (PACT) and Public Housing Preservation Trust programs. As part of both programs, the federal government provides secure rental income in the form of project-based Section 8 funding. The federal government is not giving capital funds directly, but instead is providing very stable operating funds (in the form of Section 8 rental payments) to buildings that are being either rebuilt or renovated. The Section 8 funding can then be used as collateral for a NYCHA development to issue debt funding for capital improvements. Both PACT and the Public Housing Preservation Trust convert the funding of NYCHA developments from Section 9 to Section 8 so it can better be used to underwrite debt.

Any disruption to the flow of federal project-based Section 8 funding (which would likely be illegal but could still occur in the current political environment) would have major impacts on the implementation of planned capital improvements under both PACT and the Public Housing Preservation Trust. NYCHA reports that already-underway conversions to PACT are projected to remediate \$10.5 billion of the Authority’s \$78 billion in needed capital investments (13 percent of total need). Developments that are *anticipated* to be converted to either PACT or the Public Housing Preservation Trust make up another \$22.3 billion (29 percent of total need). In total, 42 percent of the total capital investment needs depend on the success of the PACT and Trust programs. Interruptions to federal funding, or major cuts, could cause delays in the remediations that are essential to resident health and safety.

Figure 14. 2023 PNA needs by whether currently addressed and type of funding

Billions of US Dollars (\$)



## Conclusion

With a federal administration that will likely attempt to severely cut Section 9 funding and may also cut or restrict Section 8 funding, NYCHA’s programs face severe funding risks over the coming years. This budget cycle, both houses of the New York State legislature have acknowledged the likely need for more NYCHA funding from the State. However, the Governor has not made it a priority to send state funds to NYCHA.

FPI strongly recommends that state policymakers adopt the Assembly’s proposal to allocate \$775 million to NYCHA’s capital funding. FPI also recommends that state policymakers allocate at least \$500 million to NYCHA’s annual operating budget (more than was proposed by either the Senate or the Assembly).

## References

*Consolidated annual comprehensive financial report, 2014-2023*, NYCHA, available for download at: <https://www.nyc.gov/site/nycha/about/annual-plan-financial-information.page>

*NYCHA Operating Plan for Calendar Years 2024-2028*

*NYCHA Operating Plan for Calendar Years 2023-2027*

*NYCHA Operating Plan for Calendar Years 2022-2026*

*NYCHA Operating Plan for Calendar Years 2021-2025*