Thank you for inviting CSEA/VOICE to testify at this hearing regarding the childcare crisis in New York State. CSEA/VOICE represents 10,000 homebased childcare providers in every county of New York outside of the City of New York. Our members are predominately women and people of color who provide affordable, quality, and licensed childcare to both private pay and subsidized families. The work that CSEA/VOICE members provide is what allows tens of thousands of New Yorkers to go to work and school every day.

CSEA/VOICE members and the entire childcare industry is in crisis.

Since the beginning of the Covid-19 pandemic, much has been written about the state of the childcare industry – insufficient staffing levels, low wages and lack of benefits, and the number of providers that have closed. To be clear, all of this was happening before the pandemic, but few people were concerned about the problems. With a few exceptions, no one was worried about the demoralized and diminished workforce and even fewer people were fighting to make the investments the sector needed to survive.

For years childcare providers have been struggling. They face inadequate and insultingly low reimbursement rates for subsidized childcare. The current system has resulted in the closure of 15% of all home-based providers since 2017, resulting in the loss of at least 18,000 affordable and quality childcare slots. While lawmakers have made new investments in recent years, providers are still not receiving reimbursements and funding that cover their expenses.

In order to revive the childcare sector and ensure that working families have access to care options that work for them, the state must make wholesale reforms to the subsidy reimbursement system, including:

1) Paying providers for the true cost of care, and not as a percentile of the market rate
2) Shifting from pay for attendance to pay for enrollment
3) Increasing and standardizing county plan options

True Cost of Care

The true cost of childcare is the actual financial costs of providing quality childcare. This is different than the price paid for care or the subsidy payment made by the State. The true cost of care is a much more thorough calculation of the actual expenses that providers incur when providing care, including insurance, housing costs, food, and administrative costs.

New York State calculates payments to childcare providers based on a "market rate survey." Providers are paid based on the 80th percentile of that survey. While the 80th percentile is an increase over previous years, they do not come close to paying for the true cost of childcare.

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According to the Center for American Progress, New York's existing subsidy system only covers 63% of the actual cost of family childcare. To make up for this shortfall, and ensure their program's financial viability, providers decrease the number of slots for subsidized children and increase the number of private pay families, who pay a higher rate than county subsidies provide for. The result is fewer slots for lower income New Yorkers, which creates more difficulty for working families to find affordable care.

Due to the low reimbursements and failure to cover the true cost of care, it is impossible for providers to pay a living wage with benefits to their staff. This leads to a high degree of staff turnover, leading to a cycle of hiring, training, and then searching for another staffer when a employee leaves.

Converting our existing payment structure to account for the true cost of care is necessary if we want to increase the number of available affordable childcare slots. Paying providers for the true cost of care will enable providers to increase wages, offer employee benefits, expand their programs, and increase the number of available options that parents have for care.

Pay For Enrollment

CSEA supports changing the existing reimbursement system from pay for attendance to a pay for enrollment model. Under the pay for enrollment system providers receive reimbursement when a child enrolls in their program, rather than only being paid when a child is in attendance on a particular day. Moving to a pay for enrollment system will help providers financially and cut down on red tape and administrative costs for providers in the future.

The current reimbursement system requires counties to pay providers when a child is in attendance. This is different from private pay parents, who pay the entire time that their child is enrolled in that program, regardless of whether their child is in attendance on a particular day or not. The current system penalizes providers when a child is on a family vacation, home with a parent on a scheduled day off, or out sick for a prolonged period. While lawmakers have attempted to mitigate this by requiring providers be paid for a minimum of 24 absences, there is still a significant amount of financial uncertainty in cases where a child has been absent for 24 days in a year. While 24 seems like a substantial number, that can be used quickly during a year when illnesses such as the flu, Covid-19, and RSV are particularly bad. Once the 24 absences have been exhausted, providers are no longer reimbursed, and their finances are negatively impacted.

Shifting the payment model to one based on enrollment and not attendance, like public schools, will give providers more predictability with their revenue. They will have a clearer idea of how much they will receive during a year, which will allow them to make decisions regarding staff and program investments. The current system results in unpredictable reimbursements due to a child's absence and limits providers from making critical investments in their programs.

Increase and standardize county plan options

CSEA/VOICE supports updating the current minimum standards for various county plan options and making them more uniform across the state. This will streamline the subsidy program while also ensuring that all children, not just those living in counties who opt to offer a higher level of benefits, receive the programs and services that they need.

State law gives counties wide latitude when adopting their county plan for subsidized childcare. While we can appreciate the state not wanting to create mandates for local social services districts, the current minimum requirements in several areas do not meet what children and providers need. Specifically, local options hurt providers who serve multiple counties by causing unneeded bureaucratic and administrative headaches when determining what reimbursements they are entitled to based on the residency of each child.

One specific area that the State Legislature must act on is the rate enhancement that counties pay to providers that offer non-traditional hours of care and care to children from homeless families. Under current law, County plans dictate how much extra they pay – from a minimum of 5% to a maximum of 15%. Counties vary, but few counties pay the 15% differential for both categories. CSEA strongly supports legislation that would require all counties to pay a 15% differential. Increasing this payment for all counties will encourage more providers to offer diverse types of care to working families.

CSEA also supports increasing the minimum number of annual absences that counties must reimburse providers to 80, an increase from the current 24. A handful of counties already require reimbursement for 80 absences; however, most only require the current state minimum of 24, leading to the problems that we discussed earlier in this testimony.

It is no longer a question of whether we need to make investments in childcare. Rather, the question is now how much and how fast we can do it. Without significant investments that focus on increasing reimbursement rates, raising wages and benefits for workers, and encouraging more providers to offer non-traditional care, we will continue to see parents being unable to find affordable and quality childcare. Without the changes described above, we will not see an expansion of the childcare provider network. Rather, we will see the continued loss of providers, workers, and slots that are geared towards working families.

To discuss this testimony further, please contact:

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