

New York 2020 Child First Initiative

*Reducing Child Care Costs
for Parents Statewide*



Independent **Democratic** Conference

FEBRUARY 2016

Making it Affordable to Raise a Family in New York

Child care costs have ballooned in recent years. The economic burdens following the 2008 economic crisis exacerbated rising costs faced by New York families. The ever-rising costs of living, including homeowner and renter costs, utilities, food, and transportation have made raising a family more difficult in recent years. But these costs pale in comparison to the oppressive cost of child care in New York.

One particularly telling statistic is the annual cost of child care for a 4-year-old in center based care. A look at what New York parents pay for these services paints a bleak picture. Married couples in New York shell out 13% of their total annual income on these services, the highest percentage compared to any state. Single parents spend around 45% of their annual income on child care. Spending at this level for basic child care services is taxing enough for middle-class parents who make close to the median income. For lower middle-income and lower-income parents, these costs can devastate a household budget, and make child care unattainable.

Top 10 Least-Affordable States for Center-Based Care for a Four-Year-Old in 2014 ¹						
State	Average Annual Cost of 4-Year-Old Care in a Center*	State Median Income for Single Mother Family**	Cost of Care as a Percentage of Median Income for a Single Mother Family	State Median Income for a Married Couple**	Cost of Care as a Percentage of State and Median Income for a Married Couple	Rank (Based on Percentage of State Median Income for a Married Couple)
New York	\$11,700	\$25,937	45.1	\$93,157	12.6%	1
Missouri	\$9,308	\$21,892	42.5	\$76,510	12.2%	2
Vermont	\$9,970	\$24,590	40.5	\$83,160	12.0%	3
Oregon	\$8,787	\$22,326	39.4	\$74,506	11.8%	4
Minnesota	\$11,119	\$26,795	41.5	\$94,432	11.8%	4
Nevada	\$8,118	\$28,248	28.7	\$69,580	11.7%	6
Colorado	\$9,882	\$28,222	35.0	\$87,137	11.3%	7
Massachusetts	\$12,781	\$27,158	47.1	\$112,824	11.3%	7
Wisconsin	\$9,469	\$23,702	40.0	\$84,375	11.2%	9
Washington	\$9,588	\$25,856	37.1	\$85,824	11.2%	9

Note: Affordability is a comparison of average cost against state median income. State ranking do not include the District of Columbia.

* Source: Child Care Aware® of America's January 2015 survey of Child Care Resource and Referral State Networks. Some states used the latest state market rate survey

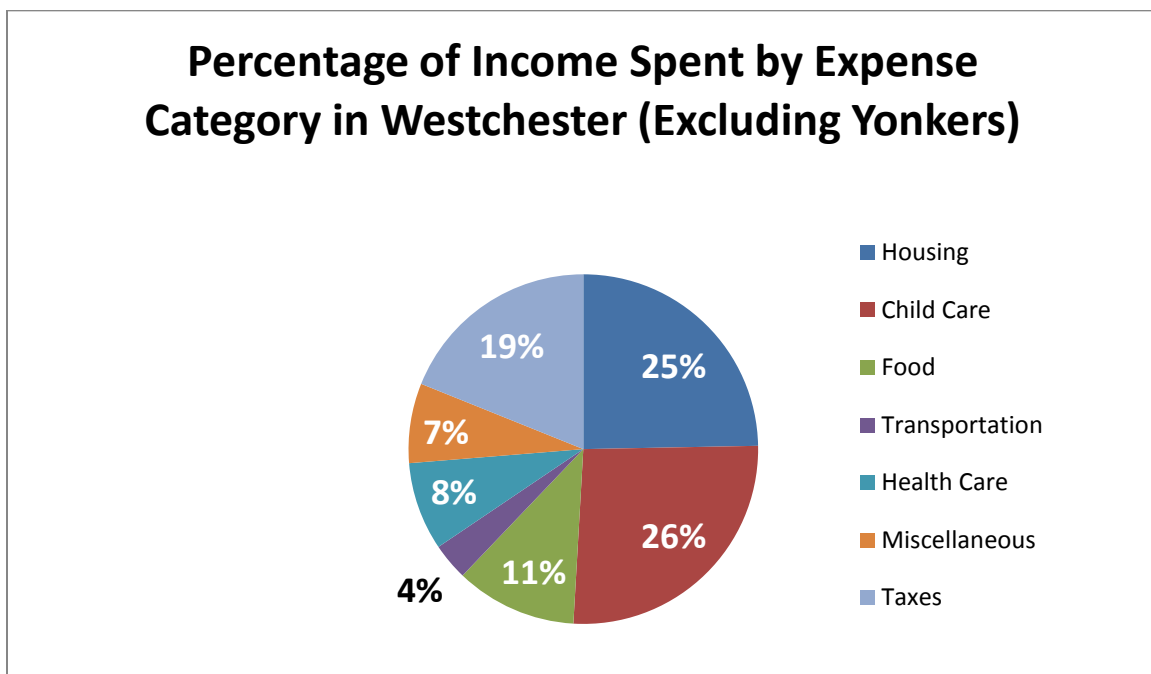
** Source: U.S. Census Bureau, American Community Survey, 2011-2013 three-year estimates. Table B19126

As the IDC noted in their *Affordable New York* agenda of 2014 and their *Invest NY* agenda of 2015, quality, affordable child care is one of the most vital economic supports for working families; a lack of quality, affordable care is the biggest barrier against a parent getting and keeping a job, and having the stability to build a career.

¹ Source: "Parents and the High Cost of Child Care: 2015 Report", Child Care Aware of America.

The cost of raising a child has steadily grown over the years, and wages aren't keeping up. According to the U.S. Department of Agriculture's 2014 estimates (the latest year for which data is available), a middle-income couple in the U.S. will spend about \$245,000 in 18 years on basic needs for one child, and that doesn't even include college.² This is an increase of around \$4,000 over the prior year's data.³

The chart below illustrates the financial hardships of raising a family in New York State. The challenges experienced by families in Westchester stand as a sobering example of those faced by parents all across New York State, especially in areas with high levels of poverty and lower median incomes. Based on a single-parent family with two children, the chart shows the percentage of household income necessary to meet each of the listed needs in a given month in Westchester. Over half of this family's budget must be spent on rent and child care. In order for this family to be self-sufficient, the parent must earn \$6,230 per month, which is \$74,762 per year.⁴ While this number is around the median income in Westchester (\$79,585)⁵, an overwhelming percentage of families' incomes (51%) are nonetheless being spent on housing and child care, with child care costing marginally more than their housing costs.



Source: "The Self-Sufficiency Standard for New York State 2010", Pearce, Diana. Center for Women's Welfare, University of Washington School of Social Work. June, 2010. <http://depts.washington.edu/selfsuff/docs/New-York-State2010.pdf>.

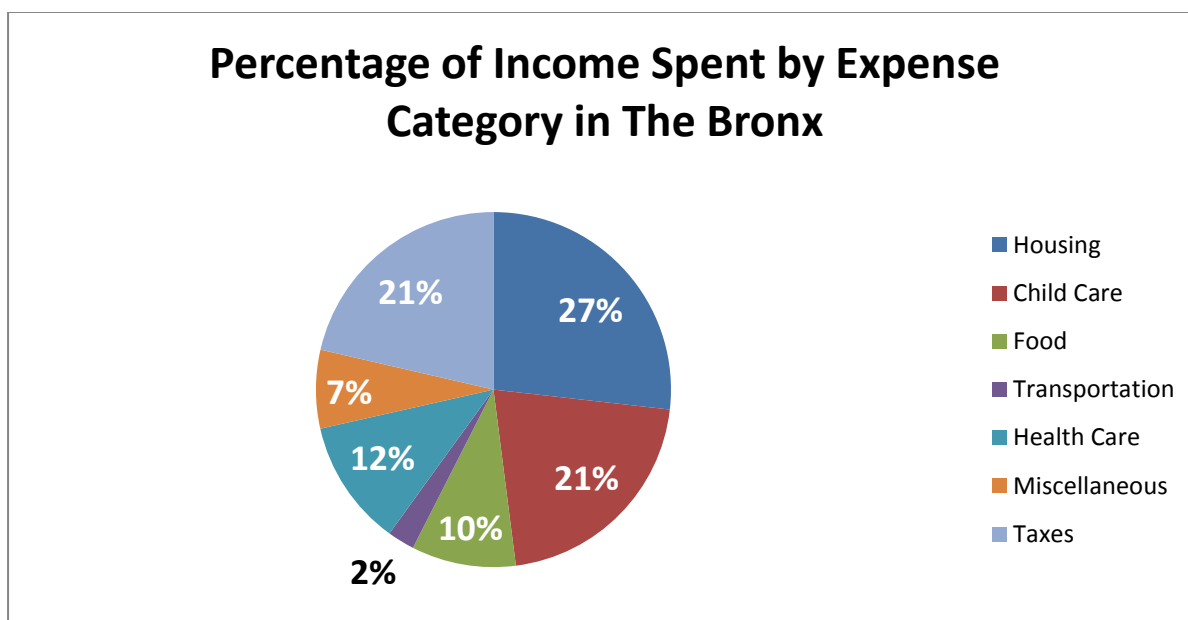
² Hicken, Melanie. "Average Cost of Raising a Child Hits \$245,000." CNNMoney. Cable News Network, 18 Aug. 2014. Web. <<http://money.cnn.com/2014/08/18/pf/child-cost/>>.

³ Average cost to raise a kid: \$241,080. Hicken, Melanie. CNN Money. August 14, 2013. <http://money.cnn.com/2013/08/14/pf/cost-children/>

⁴ "The Self-Sufficiency Standard for New York State 2010", Pearce, Diana. Center for Women's Welfare, University of Washington School of Social Work. June, 2010. <http://depts.washington.edu/selfsuff/docs/New-York-State2010.pdf>.

⁵ "Income." County of Westchester, NY. Web. <<http://planning.westchestergov.com/income>>.

Like the previous chart, the one below demonstrates the percentage of family incomes spent on various expenses, but in this case, for The Bronx. Like families in Westchester, around half of a Bronx family's budget must be spent on rent and child care. But while the percentage of household income spent on child care costs is slightly lower, in order for this family to be self-sufficient, the parent must earn \$4,398 per month, which is \$52,776 per year.⁶ The median household income in The Bronx is only \$34,388.⁷ More than two in five households in New York City don't meet the self-sufficiency standard; in The Bronx, 56% of households fail to meet the standard.⁸



Child care can be so prohibitively expensive that its costs force a parent to stay home, even if that parent wants or needs to work to pay their bills. This reality drives parents to make career and economic decisions based upon immediate cash flow as opposed to future planning for their families and children. Since 2000, the cost of child care has unsustainably increased twice as fast as the median incomes of families with children.⁹

The average cost of day care across New York State ranges from a low of approximately \$7,000 per year in the Southern Tier to a high of \$19,000 per year in New York City.^{10,11} This cost is most burdensome for new parents who pay an average of \$12,142 per year per infant. As the child ages and becomes a little more self-sufficient, the price begins to drop to an average of \$10,738 per year for toddlers and \$8,346 per year for school age children.¹² A family with two children often pays more in

⁶ "Overlooked and Undercounted: The Struggle to Make Ends Meet in New York City", Pearce, Diana. Center for Women's Welfare, University of Washington School of Social Work. December, 2014. Pg. 8
<<http://www.selfsufficiencystandard.org/node/4>>

⁷ "Bronx County QuickFacts from the US Census Bureau." Bronx County QuickFacts from the US Census Bureau. United States Census Bureau. Web.
<<http://quickfacts.census.gov/qfd/states/36/36005.html>>.

⁸ Overlooked and Undercounted: The Struggle to Make Ends Meet in New York City", Pearce, Diana. Center for Women's Welfare, University of Washington School of Social Work. December, 2014. Pg. 8

⁹ "Affordable Child Care for Families", Child Care Aware of America. March 2013.

¹⁰ "Child Care Cost Rising \$730.00 each year in New York" Office of Kirsten Gillibrand, United States Senator for New York"

¹¹ "Market Rates." Day Care Council of New York, Inc. Web. <http://www.dccnyinc.org/view/page/market_rates_for_child_care_>.

¹² "Parents and the High Cost of Child Care: 2015 Report." Child Care Aware of America. Web. <<http://usa.childcareaware.org/wp-content/uploads/2015/12/Parents-and-the-High-Cost-of-Child-Care-2015-FINAL.pdf>>.

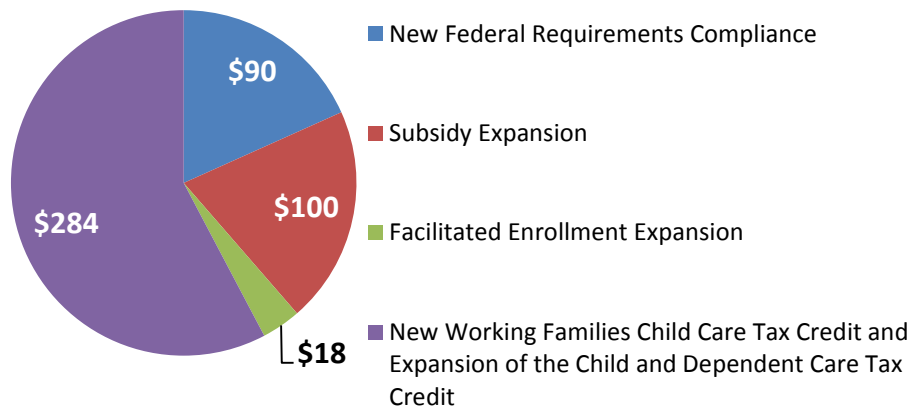
child care than in rent. These numbers can be particularly devastating to families making at or below 200% of the federal poverty level (\$48,500 for a family of four).¹³

The IDC recognizes that working families need a strong financial commitment from the state to help them with this vital part of their household budget – safe, quality care for children so parents can work or go to school. This is why **the IDC is proposing over \$489 million in support for household child care expenses through Facilitated Enrollment and child care funding, an expansion of the Child and Dependent Care Tax Credit, a new Working Families Child Care Tax Credit, and funding for new mandates imposed by the federal government.**

IDC Child Care Budget Proposals

- ***Expanding the Facilitated Enrollment Child Care Subsidy to \$25 million and 400% of Federal Poverty Level to Target New Regions and More Families***
- ***Improving and Expanding Child Day Care Subsidies in New York State***
- ***Enabling Access to Child Care Via an Expansion of the Child and Dependent Care Tax Credit and a New Tax Credit for Working Families***

IDC 2016-2017 Child Care Funding Proposals (Numbers in Millions)



¹³ "Federal Poverty Level Guidelines." Obamacare Facts. Web. <<http://obamacarefacts.com/federal-poverty-level/>>.

Expanding the Facilitated Enrollment Child Care Subsidy to \$25 million and 400% of Federal Poverty Level to Target New Regions and More Families

Working families who receive Temporary Assistance for Needy Families, as well as those who are out of reach of public assistance, are in desperate need of relief from rising child care costs. Recognizing this, the Facilitated Enrollment Program was created as a child care demonstration program to assist working families with the high cost of quality child care programs. The program provides child care subsidies for families with children under 13 years of age, for a 12 month period. Recipients must be employed to benefit from the Facilitated Enrollment programs.

The facilitators also work with the Administration for Children's Services in New York City and county DSS facilities in Albany, Monroe, Oneida, Saratoga, Rensselaer, Onondaga, and Schenectady counties to assist people through the application process and continuing services of child care subsidies.

Funding for the project is administered through the New York State Office of Children and Family Services (OCFS), and it is operated by two non-profit organizations: Consortium for Worker Education (CWE), and Workforce Development Institute (WDI), in coordination with local Departments of Social Services in each county and ACS in New York City.

The Facilitated Enrollment Program provides a unique model that combines subsidy administration with parent education and information. Since the project's inception, close to 6,500 families and over 10,110 children have been served through the pilot sites.¹⁴ **Last year, the IDC provided pilot funding in the budget for Onondaga County and retail workers along the 34th Street Corridor in Manhattan. This funding for the Facilitated Enrollment expansion totaled \$824,000.**

Currently, eligible families can earn up to 275% of the Federal Poverty Level (FPL), which is \$66,688 in household income for a family of four, but – as recognized in the NYS Child Health Plus program – families up to 400% of FPL (\$97,000/family of four) are struggling to make ends meet and also need help. Counties are authorized to charge families a co-pay for child care services of 10-35% of the families' income above the poverty line. Too often, the 35% co-pay for families at 250% FPL and above is more than the cost of child care, so even with additional program funds, too many of those families are turned away.

The highly successful Facilitated Enrollment Program has proven its efficiency and effectiveness to become a permanent program that will serve families in all areas of the state. **That is why the IDC proposes to expand the Facilitated Enrollment subsidy within the NYS Child Care Block Grant to \$25 million, opening the doors to about 2,571 more children in the program.**

¹⁴ "Increasing Access to Child Care Assistance for Working Families," Annie E. Casey Foundation, April 2009.

Facilitated Enrollment Proposal

Current Level of Funding	\$9.23 million (Includes appropriation to 34 th Street Corridor workers and Onondaga)
Current Children Being Served	Approximately 1,164
Subsidy Cost Per Child	Approximately \$7,000
Additional Proposed Revenue	\$15,764,000 to bring to \$25 million
Additional Children Served	Approximately 2,571
Total Children Served Under IDC Plan	Approximately 3,735

The program would be expanded to make eligible those families who have household incomes up to 400% of the poverty level (\$97,000 for a family of four). There is precedent for reaching 400% - the Child Health Plus program currently funds up to this poverty level. This expansion would help middle-income families that have been struggling since the Great Recession. The IDC's proposed expansion would target areas that have demonstrated both need and momentum. The expansion would reach Erie, Niagara, Westchester, Putnam, and Rockland counties. It would also provide resources in Syracuse and on Long Island. The IDC will also seek to increase the Facilitated Enrollment funding by \$500,000 to expand these crucial supports beyond the 34th Street Retail Corridor to all retail workers citywide.

Crucially, the IDC would also make the Facilitated Enrollment subsidy available to more middle-income families by requiring a cap on family co-pays of 10% of a family's total household income.

Improving and Expanding Child Day Care Subsidies in New York State

The New York State Child Care Block Grant (CCBG) provides support for parents who need child care so they can go to work or school, including subsidies that pay child care providers for a significant portion of their fees. Unfortunately, the block grant has never been able to meet the full needs of parents around the state, and has been shrinking over the years.

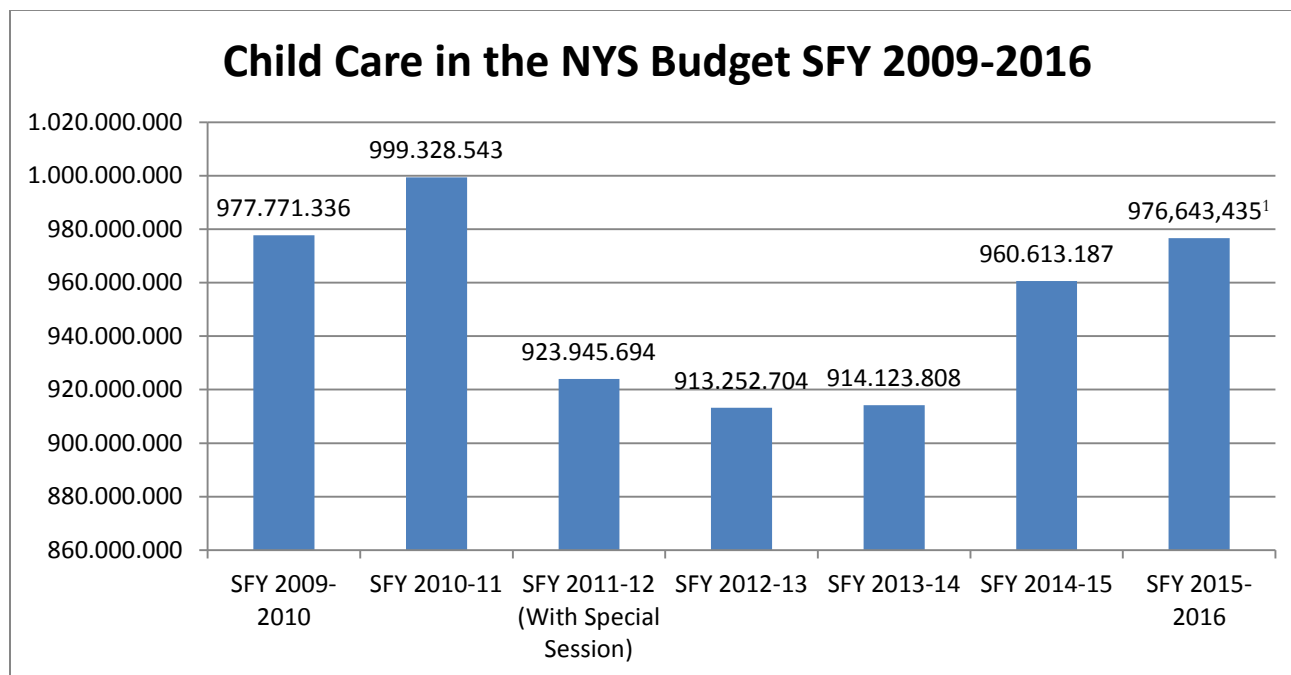
In 2012, there were 836,469 children in New York State under the age of six with working parents, and only about 21,400 licensed day cares serving children up to age 12. Overall, 690,000 children were cared for by these providers across the state, but only about one-third (234,000) of them received subsidies.¹⁵ In New York City alone, approximately 40,000 families are on waiting lists for subsidies.¹⁶

The IDC has taken a closer look at how child care is funded in New York State and New York City, and the various subsidy supports for working families. What we found is that families in need of help paying for the high cost of New York child care are being turned away due to lack of funds.

¹⁵ "Child Care Facts and Figures", New York State Office of Children and Family Services. April 2013. <<http://ocfs.ny.gov/main/childcare/assets/child%20care%20data%202004-2013%20FactSheet.pdf>>.

¹⁶ "Increasing Access to Child Care Assistance for Working Families," Annie E. Casey Foundation, April 2009, p. 3

As shown in the chart below, the NYS Child Care Block Grant (CCBG) was funded at nearly \$1 billion (\$999,328,543) in 2010-11. In 2013-14, it was only funded at \$917.5 million (\$917,500,158), representing cuts from both the state and federal governments of nearly \$82 million (\$81,828,385) in 2013-14 over just three years earlier.¹⁷ Child care subsidies are supposed to be available for New York State families with household incomes up to 200% of the federal poverty level, but with the funding shortfall, several counties have been cutting back to provide subsidies for fewer families, cutting the eligibility to as low as 100% of federal poverty (\$23,550/family of four).



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¹Excludes County Determined Transfers from FFS to CCDF.

While funding for child care subsidies has increased in the last two fiscal years partially as a result of the IDC's advocacy, the conference supports returning the funding to, at minimum, levels equivalent to 2010-11. The IDC will seek \$100 million in additional subsidies to bring relief to more income eligible families who are currently not receiving help.

A major concern in the 2016-2017 budget is the introduction of new federal mandates regarding background clearances; licensing and regulatory compliance; and training and professional development. New FBI background checks for regulated and legally-exempt providers, as well as household members over the age of 18, will impose costs of over \$100 for each individual who must undergo a check.

Annual, unannounced full inspections of all facilities will impose a requirement for the state to conduct more than 25,000 additional inspections per year. Finally, the new mandates require that all child care staff must undergo health and safety training so that they're versed in first aid, cardiopulmonary resuscitation (CPR), and other important life-saving measures.

¹⁷ NYS Budget SFY 2009-2014

¹⁸ Source: Antos, Susan. "Child Care in the NYS Budget SFY 2009-2016." Empire Justice Center. <http://www.empirejustice.org/assets/pdf/policy-advocacy/testimony/shrinking-access-to-child.pdf>

While all of these requirements represent common sense moves forward to provide comprehensive protections that will better protect New York's children, they will not come without cost. The background clearances are expected to impose a cost of between \$24 million to \$28 million on providers. The licensing and regulatory compliance will come at a cost of around \$34 million. Safety training and professional development requirements will cost approximately \$28 million. In total, these requirements will cost around \$90 million. While the executive budget includes funding for about \$10 million of these requirements, the current proposal would leave an \$80 million liability on the shoulders of New York's already stressed child care providers.

The IDC recognizes that providers are already stretching resources thin to care for New York's most vulnerable children. Taking the risk of losing slots or reducing services to these children is simply an unacceptable outcome. The IDC will strongly advocate to fully fund, as an independent line item, the \$90 million in costs for these new federal mandates, as opposed to passing this burden on to the providers.

Child Care Subsidies Increase Proposal

Current Level of Funding (2016)	\$976,643,435 ¹
Current Children Being Served	Approximately 130,000
Subsidy Cost Per Child	Approximately \$8,000
Additional Proposed Revenue	\$190,000,000 ²
Additional Children Served	Approximately 13,000
Total Funding After Proposal	\$1,166,643,435 ¹
Total Children Served Under IDC Plan	Approximately 143,000

¹*Excludes County Determined Transfers from FFS to CCDF.*

²*This figure includes a \$100 million child care subsidy increase and a \$90 million appropriation to pay for new federal mandates. The \$90 million will be used to ensure that slots are not lost due to new mandates.*

In total, the IDC's proposal represents \$190 million in additional funding to ease the burden created by new federal mandates, and to ensure a robust funding stream that will provide real help for families to care for their children. With this investment, New York would provide its neediest families with 13,000 new child care subsidies.¹⁹

¹⁹ "Subsidized Child Care for Working Families." New York State Catholic Conference, 1 Feb. 2016. Web. <<http://www.nyscatholic.org/2016/02/subsidized-child-care-for-working-families/>>.

Enabling Access to Child Care Via a New Tax Credit for Working Families and an Expansion of the Child and Dependent Care Tax Credit

The Child and Dependent Care Tax Credit, first adopted federally in 1976, is a credit available to workers who have child or dependent care expenses. This credit is available to families of all income levels and is in the form of a credit made against their tax liability. Claimants cannot receive a refund for any part of the federal credit that is more than their tax liability, but the New York State Child and Dependent Care Credit, adopted in 1977, is refundable. For parents of children under 13, it is calculated as a percent of the federal credit and the amount depends on the claimant's income. There is also a refundable New York City Child and Dependent Care Credit for families who pay child care expenses for children under the age of four, which is calculated as a percent of the New York State credit.²⁰

Unfortunately, the State Child and Dependent Care tax credit has not been increased since 1999. Nearly 512,000 New York taxpayers claimed almost \$200 million in the tax credit in 2010. Almost 90% of them were taxpayers with incomes below \$75,000. The average credit taken was \$547 in New York City compared to the statewide average of \$390.²¹ **When considering that the statewide average cost of child care is \$9,500 per child each year, it's clear that this tax credit doesn't even cover 5% of child care, contributing little to help make New York more affordable to raise a family.**

New York State must do more to help its working families afford child day care expenses, which is why the IDC is proposing to expand the Child and Dependent Care tax credit and to create a new Working Families Child Care Tax Credit for all who qualify with incomes below \$100,000.

The IDC is proposing to expand the existing New York State Child and Dependent Care Tax Credit by 50 percent. This proposal is contained in Senate bill S.1661, sponsored by Senator Carlucci. Expanding the existing credit will provide direct relief to the hundreds of thousands of families who currently utilize this credit.

The proposed expansion would limit the credit to married filers filing jointly who earn under \$350,000 in gross income annually, for head of household filers with gross incomes under \$300,000, and single filers with gross incomes under \$175,000. The income limit would lower the costs to the state of expanding the credit for those families with still-eligible incomes. This proposal will cost the state \$90 million in tax revenues.

Above and beyond the expansion of the Child and Dependent Care tax credit, the new Working Families Child Care Tax Credit will provide for 10% of the cost of a child's care with a cap of \$1,000 per eligible tax filer, and will defray the high cost of this necessary expense for low- to middle-income families.

²⁰ Child and Dependent Care Tax Credit Overview, Benefits Plus, Community Service Society, New York, NY. January 2010.

²¹ The New York State Child and Dependent Care Tax Credit Background and Statistical Analysis for Tax Year 2010. Department of NYS Tax and Finance. December 2012.

Child and Dependent Care Tax Credit Expansion and Working Families Child Care Tax Credit Proposal

Child & Dependent Care Tax Credit (CDC) 2010 Level of Funding	\$200 million
Current Taxpayers Being Served	Approximately 512,000
Average CDC credit statewide	\$390
Additional Proposed Revenue	\$284 million ¹
Additional Taxpayers to be Served	Approximately 200,000
Total Taxpayers Served Under IDC Plan	Approximately 712,000

¹ Constitutes \$194 million for the Working Families Tax Credit and \$90 million for the Child and Dependent Care Tax Credit Expansion

The addition of the IDC's new Working Families Child Care Tax Credit to the existing Child and Dependent Care Tax Credit would provide a credit of up to \$1,000 per tax filer with a household income under \$100,000 and at least one dependent child under 13. The new tax credit will be refundable, just like the current one is, and the child care must be for the purposes of allowing the parent to go to work, school, or time to look for work.

And, because this tax credit would be in addition to the existing Child and Dependent Care tax credit which provides about 4%-5% of a child's day care costs, working families can expect almost 15% of that cost credited to them each year in their tax returns with the addition of the new IDC Working Families Child Care Tax Credit.

The Great Recession and its aftermath have burdened New York's working families, and too many have had to choose between paying for groceries or paying for child care; returning to work after maternity leave, or staying home to avoid child care costs. The IDC believes we must do all we can to help families stay in the workforce through this slow economic recovery. **Creating this new refundable tax credit, combined with the increase to the Child and Dependent Care Tax Credit, is a firm step in the right direction to make child care more affordable for New York families.**

Conclusion

New York parents must be confident that they have the resources to properly raise and care for their children. Parents everywhere have a right to know that they will always have access to quality, safe, affordable care for their children, so that they can go to work to provide for their families' futures. The IDC's child care budget agenda will provide a robust level of funding for innovative new policies that will meet the needs of parents across New York State. We urge our colleagues to join us in providing the necessary funding and resources.