



Wrenching Choices for New York City's Working Families—Child Care Funding Slashed as Need Grows

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Overview

New York City's working families are finding it far more difficult to find the affordable child care they need in order to keep their jobs. The Mayor's 2012 Executive Budget reduces the level of child care funding considerably below the annual average level for 2008-2010—even after the restoration of 16,000 child care slots that the Mayor had earlier proposed be cut. In addition, the Mayor is proposing to increase child care co-pays from low-income working families by \$13 million. Without subsidies, the cost of child care is a substantial financial burden on low-income families and often their single largest expenditure. The number of subsidized slots has fallen significantly since 2006, and the need among low-income families is five times as great as what the city now funds. When low-income parents lose subsidized child care, their ability to continue working may be jeopardized. This risk is particularly great among single parents, whose households include 60 percent of the children in low-income families. The Mayor's budget proposal also puts in jeopardy the jobs of hundreds of child care workers, almost all of whom are women and most of whom are black or Hispanic, groups with very high unemployment rates.

Introduction and background

Responding to unprecedented pressure from 45 City Council members, Mayor Michael Bloomberg recently restored funding for 16,000 child care slots when he announced his FY 2012 Executive Budget. While this was a step in the right direction, the proposed level of child care funding for the coming budget year still falls far short of the levels of city funding in recent years. Nine child care centers, 97 classrooms and the jobs of hundreds of both center-based and family child care workers are still at risk because the Mayor's budget has not restored funding put in place by the City Council in the FY 2011 adopted budget.

In addition to the fall-off in city funds, federal economic stimulus funding under the American Recovery and Reinvestment Act, which added \$57 million over the past two years, comes to an end in fiscal 2012.

One way the Mayor is proposing to moderate the reduction in city-funded child care slots is to raise the weekly copayments required of working families, with the maximum increasing from 12 to 17 percent of adjusted family income. The copayment increase shifts \$13 million in costs from the city to low-income families.

In its report on the city child care system, the New York City Independent Budget Office (IBO) noted that the number of city subsidized child care slots peaked at 116,355 in 2006 and had declined to 102,246 in 2010. This 12 percent drop occurred before the reduction in total funding in 2011 and the proposed FY 2012 budget cut. If the Mayor's original proposal to eliminate

16,000 child care slots had gone through, it would have reduced the number of city subsidies to at least a 14-year low.¹ New York City subsidizes child care for public assistance recipients so they can meet their work requirements, and, to the extent funding permits, for working families with incomes less than 200 percent of the federal poverty level. (For 2011, the federal poverty guideline for a 4-person family is \$22,350.) Subsidized child care services are provided in licensed child care centers, family and group family day care provided in the home of a licensed caregiver, or informal care in the home of an unlicensed provider.

Recent funding trends

For fiscal years 2008, 2009 and 2010, funds for child care provided by “city funds” or local taxes and fees, averaged \$280 million a year. There was a falloff of about \$40 million in fiscal 2011, and a further reduction of about \$20 million for fiscal 2012 (even with the recent restoration.) City funds cover roughly 35 percent of the city’s total child care budget. Funds from the federal Child Care Block Grant provide the bulk of funding, supplying about 58 percent of the total. Most of the remaining seven percent is New York State funding, with other federal monies accounting for the balance. Even though the 2011-2012 state budget slashed spending in many areas of human services, education and health care, state child care funding for New York City remained at about \$41 million on a city fiscal year basis.²

The high cost of child care for low-income working families

Quality child care provided by trained caregivers and teachers is a significant financial burden for low-income working families. In 2009, according to the IBO, the average cost to the city per child care slot was \$7,712, based on a combination of center-based and licensed and unlicensed family care. This figure does not include copayments. The city cost works out to about \$148 per week.

The New York State Office of Children and Family Services (OCFS) periodically conducts cost surveys to determine market rates, by setting, age and geographic location, that are used as a basis for reimbursing child care costs. For 2009-2011, the OCFS market rates for New York City for center-based child care are \$338 weekly for infants under a year-and-a-half; \$255 for children 1.5-2 years; \$217 for 3-5-year olds; and \$195 for 6-12-year olds. Market rates are less for registered family day care, for example, for 3-5-year olds the weekly market rate is \$150.³

Without a city subsidy, child care costs often constitute the single largest expense in a working family’s budget. According to the Self-Sufficiency Standard for New York City, child care costs for a single parent with a preschooler and one school-age child consume 27 percent of a family’s budget, compared to 24 percent for housing.⁴

¹ New York City Independent Budget Office, “City’s Subsidized Child Care System Faces Rising Costs, Shrinking Funds,” Fiscal Brief, October 2010, p. 8.

² New York City Independent Budget Office, p. 4.

³ New York State Office of Children and Family Services. Division of Child Care Services, “Local Commissioners Memorandum, child Care Market Rates, 2009-2011,” March 22, 2010.

⁴ Diana M. Pearce, “The Self-Sufficiency Standard for New York City 2010,” Prepared for the Women’s Center for Education and Career Advancement, June 2010, p. 7. These budget shares are for a Brooklyn family (Kings

Low-income working families not on public assistance have to make a copayment to receive subsidized child care. In 2009, the weekly minimum payment was increased from \$3 to \$5 for full-day care, and the maximum weekly payment was raised from \$123 to \$153. As noted earlier, the Mayor is now proposing a further co-pay increase that will shift \$13 million in costs from the city to low-income families. The 2009 co-pay hike saved the city \$8.7 million that was shifted to the families of children in subsidized care.

Child care tax credits provide limited relief

Child and dependent care tax credits (CDC tax credit) provided at the federal, state and city levels help to partially offset child care costs. The CDC tax credits provide greater benefits for lower-income households and are refundable at the state and the city levels. The NYS CDC credit is calculated at 110 percent of the federal credit for incomes under \$25,000 and at 20 percent of the federal credit for family incomes over \$65,000. The NYC credit is figured at 75 percent of the federal credit for taxpayers with incomes under \$25,000; it then rapidly phases down to zero at incomes of \$30,000. For households with incomes less than \$30,000, the NYC CDC credit averaged \$569 in 2008, and the NYS CDC credit averaged approximately \$1,675. Assuming the state credit was the maximum 110 percent of the federal credit, the federal CDC credit for 2008 would have been \$1,523. Thus, the total CDC tax credits for the average family under \$30,000 receiving the credits would have been \$3,767, or \$72.44 per week, less than half the weekly market rate for one 3-5-year old in family day care. In 2008, only 40,052 New York City families with incomes under \$30,000 a year benefitted from the NYC CDC tax credit.⁵

High and rising demand for subsidized child care among low-income working families

Nearly half (48 percent) of the 1.1 million children under the age of 13 in New York City working families are in families with incomes below 200 percent of the federal poverty level, the income threshold that would qualify them for subsidized child care.⁶ Thus, while there were 543,000 New York City children in families in 2008-2009 that would be income-eligible for subsidized child care, the city provided subsidies only for about 104,000, or 19 percent of the eligible population.

Primarily because wages for low-wage workers have stagnated or declined in inflation-adjusted terms over the past decade, there has been a disproportionate growth in the share and number of children in low-income families, that is, those with incomes less than 200 percent of federal poverty. While the number of children in low-income families has increased by 15.6 percent between 2000-2001 and 2008-2009, the number of children in families over 200 percent of poverty increased by only 1.8 percent over that period.⁷

County). The self-sufficiency budget is the amount needed to meet basic family budget needs without public or private subsidy, and is calculated based on several different family types and is geographic-specific.

⁵ New York City Department of Finance, Office of Tax Policy, "Annual Report on Tax Expenditures, FY 2011," Feb. 2011, p. 120.

⁶ Fiscal Policy Institute (FPI), analysis of Current Population Survey data, 2008-2009, two-year pooled data.

⁷ FPI, analysis of Current Population Survey data, 2000-2001 and 2008-2009, both two-year pooled data sets.

Unless wages for low-wage workers begin to outpace inflation, it is likely that the proportion of young children (under age 13) in low-income New York City families will continue to rise in the years ahead. Over half of the working parents in low-income families work in a handful of sectors that are among those growing at above-average rates. Fifty-five percent of low-income parents work in food services, retail, education, health and social services.⁸

The precarious position of working low-income parents losing subsidized child care

The restoration of 16,000 child care slots that had been targeted for elimination will help keep many working parents from having to quit their jobs because they cannot afford the relatively high cost of unsubsidized child care. Still, the tremendous shortfall in the availability of subsidized slots relative to the need vastly complicates the work-family tradeoff for tens of thousands of low-income working families. As noted above, the need is for roughly five times the number of subsidized slots the city currently provides.

Single parents and their children are particularly vulnerable when the parent cannot hold a job due to the cost of child care or cannot find a job. Sixty percent of the low-income children under 6 years of age are in single-parent households. In 2009, there were 201,600 children under 6 in low-income single parent households. Among all under-6 children in single parent households, 52 percent live in poverty.⁹

A recent report by the Mayor's Center for Economic Opportunity (CEO) underscores the risk involved when single parents lose jobs or cannot find a job. Poverty rose by 3.2 percentage points in 2009 from 31.4 percent to 34.6 percent for single parent families because recession-related employment declines were particularly severe among single parents.¹⁰ This was a greater increase than among any other demographic group.

Losing a job means not only losing income but also losing work-related benefits, such as the Earned Income Tax Credit (EITC). The CEO poverty measure counts the EITC and non-cash benefits such as food stamps as income in determining poverty status. A New York City resident can qualify for a NYS EITC that is 30 percent of the federal EITC, and a NYC EITC that is five percent of the federal EITC. For a single parent, the amount of EITC in 2010 reached a maximum in the \$12,550-\$16,450 income range and then began to taper off to zero at an income of \$43,350. A single parent with \$16,000 in wages and two children would receive a total of nearly \$6,800 in EITC.¹¹

Without access to affordable child-care, low-income working parents, particularly single parents, may not be able to work and may end up on public assistance or become eligible for other forms of public assistance that will increase taxpayer costs.

⁸ FPI, analysis of Current Population Survey data, 2008-2009, two-year pooled data.

⁹ FPI, analysis of March 2010 CPS supplement.

¹⁰ Center for Economic Opportunity, "Policy Affects Poverty: The CEO Poverty Measure, 2005-2009," A Working Paper by the New York City Center for Economic Opportunity, March 2011, p. 51. The CEO poverty measure is based on a report from the National Academy of Sciences that proposes an alternative poverty measure employing different approaches to both the threshold (expenditure) and resource (income) sides.

¹¹ FPI calculations based on tax return instructions.

Funding cuts jeopardize the jobs of child care workers

Budget cuts have already led to the loss of 15,000 government jobs in New York City over the past 18 months, with most of that loss occurring among local government workers. City budget cuts also put in peril city-funded private sector jobs such as those among child care workers employed in centers or as family child care providers. The shrinking levels of city child care funding jeopardize the jobs of hundreds of New York City child care workers, 95 percent of whom are women and 72 percent are black or Hispanic.¹² These workers already face extremely high unemployment rates. For the fourth quarter of 2010, the unemployment rate among New York City's black women was 9.3 percent, and among Hispanic women it was 10.6 percent.¹³

The Fiscal Policy Institute (www.fiscalspolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving policies and practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared.

¹² FPI analysis of Current Population Survey data pooled for 2000-2007, analyzed spring 2009.

¹³ FPI analysis of Current Population Survey data adjusted to NYS Department of Labor LAUS labor force statistics for New York City.