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April 9, 2025

## Ensuring Adequate Funding for Childcare in Fiscal Year 2026

### **Key Findings**

- In recent years, New York State has enacted significant expansions to its childcare subsidy program—the Child Care Assistance Program (CCAP)—increasing eligibility from 200 percent of the poverty level (\$62,500 for a family of four) to 85 percent of the state median income (\$113,568). This increased the share of families eligible from 27 percent to 46 percent.
- CCAP costs rose from \$760 million before the pandemic to \$2 billion this year, driven primarily by rising per-child costs, which have double since 2019—whereas enrollment has only risen by 10 percent in the same period.
- Costs in New York City – which accounts for 61 percent of all State CCAP spending—are growing especially quickly. The City has already spent nearly half of its funding allocation from the State only one-third of the way through the funding cycle.
- Without an additional appropriation, New York City could be forced to place between 30,000 and 60,000 children on waitlists by the end of the year, with additional waitlists already being implemented elsewhere in the state.
- The City is requesting an additional \$1.1 billion in childcare funding. The Executive Budget appropriates no additional funding while the Senate and Assembly would appropriate \$50 million and \$213 million, respectively.

### **FPI Recommendation**

- The State can bridge the childcare funding gap with \$694 million in additional funding for New York City—and potentially additional funding for other localities—by moving childcare funding forward in the year (as discussed in this brief). Additional funding may be necessary for other localities.
- The risks of undershooting funding exceed those of overshooting. Any excess funds are rolled into next year, while the introduction of waitlists represent a major setback for the movement toward universal childcare.

## Introduction

New York State has enacted substantial expansions to its childcare subsidy program in recent years, supporting more families than ever. Yet the State risks undermining these gains by underfunding the program in fiscal year 2026, forcing New York City and other localities across the state to deny service to eligible families beginning as early as April 2025, putting them on a waitlist. As lawmakers and advocates call for further expansions toward the goal of universal childcare, a reversion to waitlists would create immediate hardship for New York families and represent a serious setback for toward this goal.

In the short term, this setback could be avoided with an additional appropriation in the State's now-overdue fiscal year 2026 budget. The City has expressed a need for \$1.1 billion over the next 18 months. Nevertheless, this request rests on projections of rapid, sustained growth into next year. Given high levels of uncertainty, the State could move an additional appropriation forward in the year, making it immediately available and covering the City's costs for the next 12 months, which may total as much as \$694 million. Localities outside the City have also reported looming shortfalls, though the State has not released timely information.

In the longer run, the State should take steps to guarantee adequate funding for childcare, including creating dedicated funding streams and structuring the program as a State-backed entitlement rather than a rationed benefit.

It is understandable that the State is experiencing difficulty calibrating its funding for CCAP. Spending is rising rapidly as a result of the recovery of the program in the wake of Covid and recently enacted expansions driving up enrollment and per-child costs. Nevertheless, the State has substantially underestimated the City's spending in the last two federal fiscal years. Safeguarding recent victories depends on fully funding the City with an adequate and immediate appropriation. Further, the risks of undershooting appropriations exceed those of overshooting. If a supplemental appropriation from the State exceeds the City's actual need, those funds will simply rollover into future years, while reverting to a waitlist would represent a significant setback for the movement toward universal childcare.

## Childcare spending has grown briskly in recent years

New York's Child Care Assistance Program (CCAP) subsidizes childcare for low- and moderate-income households. In recent years, the State has substantially expanded CCAP, increasing the eligibility threshold from 200 percent of the federal poverty level (\$62,500 for a family of four) to 85 percent of the state median income (\$113,600). The share of households eligible for CCAP rose from about one-quarter (27 percent) to nearly one-half (45.5 percent). Further, the state increased the maximum value of CCAP vouchers, which vary across regions of the state and types of care.<sup>1</sup>

These expansions have increased enrollment and program costs per eligible family. In the years before Covid, CCAP spending averaged \$760 million. Program use fell during the pandemic before surging to

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<sup>1</sup> <https://fiscalpolicy.org/wp-content/uploads/2024/11/2024.11.1-Childcare-Blog-1.pdf>

\$1.5 billion in federal fiscal year (FFY) 2024.<sup>2</sup> The program appears on track to spend \$2 billion FFY 2025.<sup>3</sup>

Higher costs are driven more by costlier benefits than higher enrollment. In FFY 2019, an average of 109,000 children received CCAP benefits. This figure rose 10 percent, to 120,000 children in FFY 2024. Per-child costs, however, nearly doubled to \$12,700 per year in FFY 2024.<sup>4</sup>

In turn, the program's rising cost per child is driven by higher voucher rates. In state fiscal year (SFY) 2023, the State increased maximum voucher levels from the 69<sup>th</sup> percentile of market rates, as determined by a State-run survey of childcare providers, to the 80<sup>th</sup> percentile. This change, together with fast-rising market costs, drove up voucher rates across the state. In New York City, maximum voucher rates for infants enrolled in family day care doubled from \$200 per week in 2019 to \$400 per week in 2024.

The SFY 2026 executive budget proposes holding State appropriations flat from SFY 2025 at \$1.0 billion. Federal funding will also remain flat at \$759 million, leaving total CCAP funding to \$1.9 billion. Nevertheless, the budget also reports that it spent \$908 million in SFY 2025, less than its appropriation in SFY 2025, and plans on rolling unspent funds into next year. Actual State funding for CCAP is set to rise to \$1.1 billion, an 18.8 percent increase. Nevertheless, as program costs increase briskly, the State risks undershooting its SFY 2026 appropriation.

### Rising costs will force New York City to implement a waitlist without additional funding

New York City's CCAP costs have risen at an especially fast rate in recent years. Voucher rate increases, which took effect in October 2024, were higher in New York City than other parts of the state. Further, the number of children receiving support is 45.9 percent higher than a year ago, twice the growth rate for the rest of the state (23.4 percent). This growth may push up current spending by 63 percent in FFY 2025.

The City's funding imbalances will be exacerbated if enrollment continues to grow. The New York City Administration for Children Services (ACS), the local agency that administers CCAP, is projecting that enrollment will continue to rise briskly through the remainder of this federal fiscal year and next, with spending reaching \$1.9 billion in FFY 2026, a 30 percent increase. Under ACS's projections, the City would face a \$240 million shortfall in FFY 2025 and \$907 million in FFY 2026, a collective shortfall of \$1.1 billion over the next 18 months.

In the first four months of FFY 2025 (October 2024 to January 2025—the most recent month for which data is available) New York City spent \$494 million. This represents 45 percent of its annual allocation just 33 percent of the way through the year. If the City continues spending at this rate, it will spend \$1.5

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<sup>2</sup> Federal fiscal years extend from October 1 to September 30. FFY 2024 ended September 30, 2024.

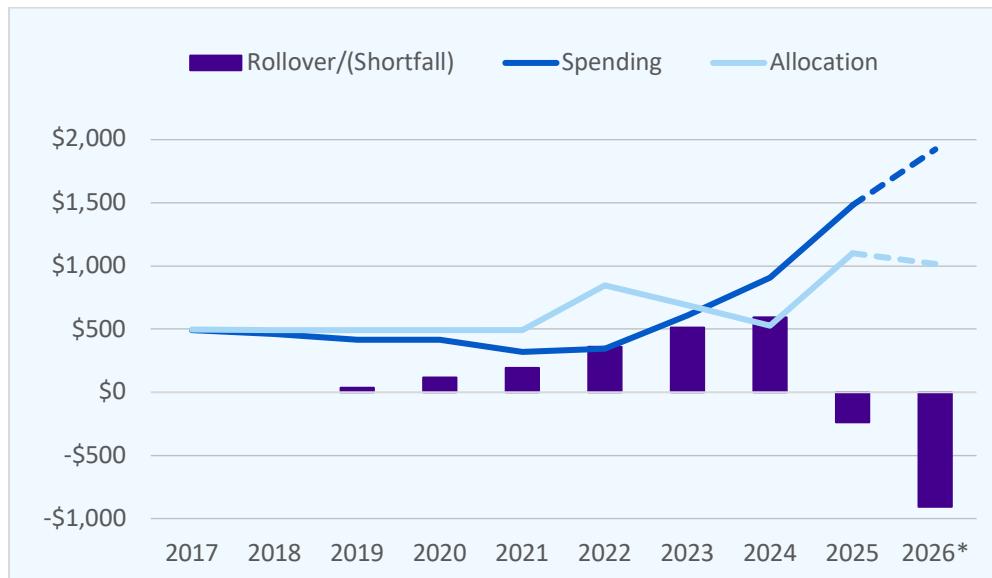
<sup>3</sup> New York State Office of Children and Family Services, "Child Care Assistance Block Grant Spending by Federal Fiscal Year," <https://ocfs.ny.gov/programs/childcare/assets/docs/ccap/Child-Care-Assistance-Block-Grant-Spending.pdf>.

<sup>4</sup> New York State Office of Children and Family Services, "Child Care Assistance Block Grant Spending by Federal Fiscal Year," <https://ocfs.ny.gov/programs/childcare/assets/docs/ccap/Child-Care-Assistance-Block-Grant-Spending.pdf>; New York State Office of Children and Family Services, "Child Care Facts & Figures 2024," <https://ocfs.ny.gov/programs/childcare/assets/docs/factsheets/2019-DCCS-Fact-Sheet.pdf> and prior editions.

billion this year. By contrast, spending in the rest of the state has reached just 34 percent of its annual allocation—on target for this point in the year.

While the State has ramped up funding to the City, it appears to have appropriated far too little in FFY 2025. The City’s \$1.1 billion allocation from the State will be inadequate to support its expenses. In the short-run, substantial rollover funds have balanced spending. During Covid, New York City received \$690 million in federal emergency relief, allowing the City to grow its balance of rollover funds to \$590 million in FFY 2024. However, these funds were depleted in FFY 2024 and 2025 as rising spending overtook State funding.

Figure 1. New York City CCAP spending, allocations, and balance, FFY 2017 to 2025<sup>5</sup>  
Dollars in millions



*Note: FFY 2026 spending and allocations and FFY 2025-26 shortfalls are ACS projections. FFY 2025 spending represents annualized actual spending year-to-date.*

In response to this shortfall, ACS warns that unless the State allocates more funding to the City, it will begin putting income-eligible families onto a waitlist beginning in April 2025. CCAP waitlists are reserved for families who are eligible only because of their income, not categorical eligibility. State and federal regulations require the program to continue to serve recipients of public assistance, who are categorically eligible for CCAP. State and federal regulations also direct districts to prioritize families experiencing homelessness, those with children with disabilities, and those with lower incomes. As such, ACS’s waitlist would largely affect the higher-income families who recently became eligible as the State raised its income eligibility threshold.

These rules explain ACS’s apparently aggressive timeline for implementing a waitlist. Beginning a waitlist quickly balances the need hold down costs while maintaining support for categorically-eligible

<sup>5</sup> Annual allocations and rollovers accessed from New York State Office of Children and Family Services, “Child Care Services Policy Listing,” <https://ocfs.ny.gov/main/sppd/policy/child-care.php>; spending accessed from New York State Office of Children and Family Services, “Child Care Assistance Block Grant Spending by Federal Fiscal Year,” <https://ocfs.ny.gov/programs/childcare/assets/docs/ccap/Child-Care-Assistance-Block-Grant-Spending.pdf>.

and prioritized recipients. Any waitlist would immediately begin declining support to families applying for the first time who are income-eligible and not otherwise prioritized, while an aggressive waitlist would also deny annual recertification for those families.

### **The legislature proposes additional, but inadequate, funding**

In their one house budget proposals, the legislature made a muted response to ACS's call for more funding. The Senate proposed raising the executive's CCAP appropriation for SFY 2026 by \$50 million. The Assembly proposed raising it by \$212.5 million. (The Senate would raise CCAP state-funded appropriation by \$372 million, but reduce the federal TANF block grant transfer to the program by \$322 million. The Senate also proposed an additional \$500 million for childcare worker wage supplements).

Importantly, the legislature's proposals increase the Executive Budget's existing appropriations that fund CCAP. Under the legislature's proposed appropriations, additional funding will be allocated according to the State's existing rules. It is likely that most of these additional appropriations will flow to the City, though other districts may also face shortfalls, as discussed below.

These proposals are lower than \$1.2 billion, the 18-month funding sought by ACS as part of SFY 2026 appropriations. The proposals are also lower than the \$500 million requested by childcare advocates for this year.<sup>6</sup>

Both houses of the legislature also included two proposals that would raise CCAP spending, partly offsetting additional appropriations. One proposal would set voucher rates using a cost estimation model rather than a market survey. Childcare advocates argue cost estimation models better reflect the cost of providing care by modeling adequate worker wages. The other would eliminate a current requirement that families earn at least a minimum wage (or are enrolled in a qualified education program) to be eligible for benefits. The fiscal implications of these changes are unclear: the legislative proposals do not report their costs and past bills proposing them do not include fiscal impacts.

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<sup>6</sup> Empire State Campaign for Child Care, "Empire State Campaign Calls For Permanent Investment In Child Care Workforce and Increased Funding For Child Care Assistance Program," <https://empirestatechildcare.org/wp-content/uploads/2025/03/Empire-State-Campaign-Calls-For-Permanent-Investment-In-Child-Care.pdf>.

Table 1. New York City’s projected funding and shortfalls (\$ in millions)

	FFY 2025	FFY 2026
Currently allocated funding	\$1,181	\$1,016
ACS projected spending	\$1,421	\$1,923
ACS projected cumulative shortfall	(\$240)	(\$907)
Senate additional appropriations	—	\$50
Assembly additional appropriations	—	\$212.5
Cumulative gap under Senate plan	—	\$1,097
Cumulative gap under Senate plan	—	\$934

### Immediate action necessary to shore up the childcare system

Setting CCAP funding to the appropriate level is a difficult task. Given that the most significant expansions to CCAP were enacted two years ago, it is reasonable to expect that enrollment will begin to level off—a process that appears already underway in the rest of the state. However, the City’s costs have greatly exceeded expectations, jeopardizing its ability to support newly eligible families. Allowing these families to be denied care would undermine recent policy victories made at the state level.

While ACS’s projected shortfalls likely represent worst case scenarios, risks of underfunding CCAP exceed those of overfunding. Any surplus appropriations are simply rolled over into future years, while a waitlist for working class families undermines recent policy victories and threatens the goal of expanding childcare. The legislature’s proposed appropriations are too small to guarantee the City is sufficiently funded. The \$500 million sought by advocates is more likely to be sufficient, especially if appropriations are moved forward in time to provide stopgap funding in the current fiscal year. Lawmakers should consider timing and the balance of risks in determining the size of this appropriation.

#### *Moving appropriations forward in the year*

The State’s appropriations will fund CCAP through September 2026. Given the unusually high uncertainty, the State should move this funding window forward, covering CCAP’s immediate shortfall for the next twelve months and giving it time to revisit funding needs as part of next year’s budget.

New York State budgets are due March 31—halfway through the federal fiscal year. For CCAP, state budgets fund the upcoming federal fiscal year. Therefore, for New York State to meet ACS’s demands, it would have to include short-run funding for the current year alongside a substantially higher appropriation for FFY 2026. However, until 2023, state budgets funded CCAP for the state fiscal year, not the federal fiscal year beginning six months later.

If the State moved up its SFY 2026 appropriation to the state fiscal year, it would have to ensure funding through March 2026 (the remainder of FFY 2025 and the first half of FFY 2026). This would total \$694 million. This short-run solution may be appropriate given the unusually high uncertainty around the City’s needs. ACS’s aggressive FFY 2026 growth projections are likely an estimate on the high end of possible outcomes. If the State provides enough funding to get the City through SFY 2026, it can set the City’s funding at a permanently sustainable level as part of the SFY 2027 budget, by which time it will have twelve months of additional enrollment data.

Table 2. The timing of New York City’s CCAP funding and state budgets

	Federal Fiscal Year 2025		Federal Fiscal Year 2026	
	Oct 2024 - March 2025	April - Sept 2025	Oct 2025 - March 2026	April - Sept 2026
Allocation	\$550	\$550	\$508	\$508
Shortfall	\$0	(\$240)	(\$454)	(\$454)

State Fiscal Year 2026
State Fiscal Year 2027

***Annual appropriations and rollover funds***

The risks of undershooting appropriations exceed those of overshooting. If a supplemental appropriation from the State exceeds the City’s actual need, those funds will simply rollover into future years. On the other hand, allowing the City to revert to waitlists would be a major setback for the movement to guarantee childcare support to all currently eligible New Yorkers and to continue to expand eligibility.

Under CCAP, local districts are able to rollover any unspent funds into subsequent years. During the pandemic, nearly every district in New York State was able to build reserves of substantial rollover funds, allowing them to balance spending as the program grew. In theory, pandemic-era reserves could be drawn down slowly as spending rises to a new, stable level, giving the State time to adjust appropriations. For New York City, this fiscal cushion has already proven inadequate—the City has already used its rollover funds even as enrollment continues to rise. A supplemental appropriation, therefore, would at most restore a modest fiscal cushion.

***Districts outside New York City***

Districts outside the City may also face financial strain. As a whole, state allocations for FFY 2025 appear adequate to meet districts’ spending need if spending in those districts remains flat through the rest of the year. Nevertheless, the preliminary spending data the State has published may be revised upward, in which case the rest of the state would face deficits. Further, even if these districts’ allocations are sufficient for the rest of the state as a whole, individual districts face significant shortfalls that are offset by surpluses elsewhere. In fact, a cluster of counties in Upstate New York have already implemented waitlists. A recent analysis from The Children’s Agenda estimated that spending growth in the rest of the state could push shortfalls to \$50 million in the current year and \$213 million in FFY 2026.<sup>7</sup>

<sup>7</sup> Pete Nabozny, “Imminent Threat: Without State Action, Thousands May Lose Access to Child Care,” *The Children’s Agenda* (April 2025), <https://thechildrensagenda.org/wp-content/uploads/2025/04/2025-Policy-Brief-on-Child-Care-Funding-Shortfall-FINAL-April-2025.pdf>.

State funding for CCAP is allocated based on districts' spending. The legislature's proposed additional appropriations would fund the State's standard allocation process and would not be a direct appropriation to New York City. Therefore, any supplemental appropriations may not be entirely directed to the City, and flow in part to other districts with high spending growth.

Nevertheless, New York City represents 61 percent of the State's CCAP funding and is the primary locus of recent spending growth. Therefore, the City would be the primary beneficiary of additional funding. The existence of shortfalls outside the City further underscores the advantages of overshooting the SFY 2026 appropriation.

### *Additional proposals to expand CCAPs*

Finally, it is worth noting that both legislative houses include proposals that would increase CCAP costs (as discussed above). While these changes may be worthwhile, they should be funded above the supplemental appropriations needed to adequately fund New York City's program.

## **Funding appropriations for SFY 2026**

The Senate and Assembly include significant revenue raisers in their SFY 2026 budget proposals. Increases to personal income tax rates for those earning more than \$5 million per year and corporate tax hikes would bring in \$4 to \$4.5 billion under their proposals. Further, both houses project that the revenue raised by current taxes will exceed the projections made by the executive budget by \$800 million to \$1.2 billion.

The legislature would use this revenue to fund a broad range of policy priorities, including the proposed \$212.5 million and \$371.9 million appropriations for childcare. To fund an additional \$200 million to \$300 million to meet the City's short-term childcare needs, the legislature could either propose further revenue raisers or redirect funding from other spending items.

Given the size of the New York economy and the State's consistent fiscal restraint, which shrank the budget relative to the economy over the 2010s, the State has considerable capacity to raise further revenue. FPI has put forward a menu of options for raising additional revenue, including expansions to the state's corporate tax.<sup>8</sup> In SFY 2026, however, additional funding for the MTA's capital needs is likely to play a major role in final budget negotiations, potentially crowding out other revenue demands.

The SFY 2026 budget, however, has unusually ample room to redirect existing resources. The executive budget projects a substantial fiscal surplus in SFY 2025. The executive proposes spending these funds on an inflation refund and income tax cut that collectively cost \$3.5 billion in SFY 2026. The Senate largely accepts the executive proposal, while the Assembly would significantly expand the proposed tax cuts, leading to an additional \$4 billion in lost revenue each year. While these plans are meant to provide tax relief to middle-class New Yorkers, they are spread so broadly that they provide only a few hundred dollars per family for the year.

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<sup>8</sup> Fiscal Policy Institute, Annual Budget Briefing Book, Fiscal Year 2026 (February 2025), <https://fiscalpolicy.org/wp-content/uploads/2025/02/FY-2026-Budget-Briefing.pdf>.



Childcare subsidies are inherently better targeted to families experiencing acute cost pressures. This targeting means childcare spending is far more cost effective, delivering a meaningful level of support to families with the greatest need. Diverting even one-tenth of the executive's proposed tax rebates to childcare would nearly meet the City's funding need.

### Long-term reforms to safeguard and expand childcare

In the longer run, the State must consider reforms to ensure future expansions to CCAP are permanently and reliably funded. First, the system is currently structured as a block grant with rationed benefits, not an entitlement with guaranteed benefits. Second, as the program expands, annual appropriations may be inadequate to fully fund the program. A universal program may be funded with dedicated revenue sources.

#### *Childcare as an entitlement*

CCAP is funded and administered jointly by the federal, state, and local governments. The State allocates block grant funding to localities, which enroll beneficiaries and disburse benefits. If funding is inadequate to support all eligible families, federal and State rules prioritize certain families.

That CCAP is federally funded as a block grant, rather than an entitlement is, for the time being, unavoidable. However, the State does not have to replicate this arrangement at the local level. An entitlement would be funded like other social assistance programs in New York State: localities are charged with administering the program and periodically submit their costs to the state for reimbursement. Like CCAP, many of these current entitlements, including safety net assistance and Medicaid, are funded in part by localities. This does not preclude the State from backstopping the programs and guarantee adequate funding for all eligible families.

#### *Guaranteeing sufficient childcare funding*

Many lawmakers and advocates in recent years have called for universal childcare, in which childcare support would be made available to all New Yorkers. New York City's current CCAP strain shows the need for universal childcare to be funded with stable, dedicated, and sufficient funding. Funding for social policy is generally the most secure when it is tied to the program's structure. This funding is better insulated than annual appropriations made from general revenue. Social security and unemployment insurance, for instance, are funded by payroll taxes—individuals pay into the system when they are working and receive benefits when they retire or are laid off. Universal childcare may benefit from a similar structure. Further, family contributions to CCAP are currently very low—one percent of income earned above the federal poverty level. As the program expands to higher-income families, greater contributions may be an appropriate funding mechanism.