



## SUBSIDIZING CARE, SUPPORTING WORK

Affordable child care is critical for low-income parents to get and keep jobs, but the supply of subsidized care in New York is on the decline even as demand is growing

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# CONTENTS

<b>INTRODUCTION</b>	<b>3</b>
WHY CHILD CARE MATTERS	5
<b>A SNAPSHOT OF NYC’S CHILD CARE SYSTEM</b>	<b>6</b>
WHAT CHILD CARE COSTS	6
WHO NEEDS CHILD CARE, AND WHO GETS IT	7
HOW THE CITY AWARDS CARE	9
LOW-INCOME CHILDREN: GETTING CARE FROM A DIVERSE AND FRAGMENTED SYSTEM	10
INNOVATIONS ON THE WAY, BUT ALSO CHALLENGES	11
<b>RECOMMENDATIONS</b>	<b>13</b>
<b>ENDNOTES</b>	<b>15</b>

# SUBSIDIZING CARE, SUPPORTING WORK

The recent uptick in New York City's economy could provide a huge sigh of relief for the hundreds of thousands of New Yorkers who lost their job in the Great Recession and are still out of work. But many of the city's unemployed will need more than just enhanced skills to take advantage of the new job opportunities; they'll need access to affordable child care.

In recent years, subsidized child care has become an essential work support for New York's large and fast-growing population of working poor—those who hold jobs but, because of low wages and the city's high cost of living, still struggle to adequately support a family here. It's also a critical support for low- and moderate-income New Yorkers to successfully complete a postsecondary degree program, which in today's economy has become fundamental to accessing higher-paying jobs.

Unfortunately, as we detail in this report, the supply of subsidized child care in New York City, while never adequate, has slipped over the past few years. And the city's working poor—those who earn too much to qualify for subsidized care but too little to comfortably afford the high cost of child care in New York—have been the biggest losers. Today, just one in four low-income children under the age of six is being served by child care programs across the five boroughs. At the same time, waiting lists for child care centers in the city are extensive—as many as 40,000 parents are waiting for child care services. And signs point to continued deterioration unless the city and state change course.

One of the more alarming economic trends in recent years has been the rapid expansion of the working poor. Nationally, the number of low-income working families increased by more than 650,000 between 2002 and 2008.<sup>1</sup> The problem has been as bad or worse in New York City. Indeed, between the early 1990s and the middle of the following decade there was a 75 percent increase in the number of New York City families who have one full-time, year round worker but earn so little that they are officially poor.<sup>2</sup> According to one top city official, 46 percent of New Yorkers living below the poverty line held regular jobs in 2005—compared to 29 percent in 1990.

Perhaps these trends aren't surprising given the growth in low-wage jobs: 31 percent of workers over the age of 18 in the five boroughs are employed in low-wage jobs; the share is even higher in the Bronx (42 percent) and Queens (34 percent).<sup>3</sup> Of the 10 occupations that are expected to have the largest number of annual job openings in the city through 2014, only two offer average annual wages greater than \$28,000.<sup>4</sup>

Working parents in the city who earn such meager incomes struggle to pay for rent and groceries much less child care, which costs more in New York than any other state except Massachusetts. Indeed, the U.S. Department of Health and Human Services states that child care costs should be kept under 10 percent of family income, but the average rate to send a four-year-old to a child care center in New York State is \$10,847, almost half the income of a single mother family and 12.5 percent of the median income of a two-parent family. The rate for infant care (\$13,676) is even higher.<sup>5</sup> Child care rates in New York City are much higher than in other parts of the state.

Low-income New Yorkers who aspire to become more financially secure and climb up to the middle class need to gain valuable work experience or develop their skills by attending a two- or four-year college. But for low-income parents, holding a full-time job or enrolling in postsecondary education is exceedingly difficult in a high-cost environment like New York. The \$11,000 annual price tag of child care in the five boroughs is more than triple the cost of a year's tuition at a CUNY community college. Without subsidies, families have to choose between postsecondary education that could lift them into the middle class and paying someone to take care of their children.

A recent survey of poor New Yorkers by the Community Service Society of New York found that 30 percent of respondents cited "family responsibilities and child care" as a factor that made it difficult to find a new job. No other factor was cited by as many respondents—29 percent cited being out of the job market, 22 percent said they didn't have enough education or

training and 18 percent noted that they didn't have prior experience.<sup>6</sup>

National studies have documented that child care programs for the working poor "encourage employment, promote job retention, and help increase family income to meet basic needs."<sup>7</sup> Other reports have shown that "low-income and other student populations (e.g., first generation, adult workers, single parents, etc.) face substantial hurdles in successfully completing postsecondary educational programs," and that access to affordable child care programs can provide a key lift.<sup>8</sup> The Center for an Urban Future's own 2004 report about the growth of the working poor in New York found that child care assistance programs have become vital since large numbers of single mothers entered the workforce in recent years (in part due to changes in welfare law) and more married families need dual incomes to get by.<sup>9</sup>

The supply of affordable child care in New York City depends a great deal on federal and state subsidies. Unfortunately, federal and state support for early care in New York City has been declining.

New York City's major source of child care funding is the Child Care Block Grant (CCBG), which bundles federal funding from the Child Care and Development Fund with money from the Temporary Assistance for Needy Families (TANF) program, which disburses federal public assistance to low-income residents, and state funding. New York City received over a half billion in CCBG funding in 2007. After dropping to \$443 million in 2008, funding bounced up again to \$499 million in 2010 because of federal stimulus subsidies. But those subsidies will decline in 2011, reducing New York City's grant to \$487 million. They will then expire in 2012, leaving New York City with a gaping budgetary hole. Meanwhile, the population of families whose earnings qualify for subsidized child care continues to grow. And the state actually cut over \$30 million from its \$375 million pre-kindergarten budget in 2010, the second-largest reduction in the nation after Illinois. Another \$15 million in cuts are proposed for 2011.<sup>10</sup>

The Bloomberg administration helped pick up the slack, raising the city's child care funding from \$185 million in 2004 to a high of \$298 million in 2009. But with the city struggling with declining tax revenues, its contribution to child care fell by \$26 million in 2010. In 2011, the city proposes to shrink support at subsidized child care centers by almost one-fifth in an emergency effort to eliminate a projected \$62 million deficit at the Administration for Children's Services (ACS), the primary agency overseeing early care and education.

Importantly, the Bloomberg administration has also tried to improve the system. In recent years, ACS began developing sophisticated reforms of its financing

and delivery systems. In early 2011, ACS plans to roll out EarlyLearn, an innovative revamp of the agency's contracting strategy.

However, the administration has fallen far short of its previously announced plans to expand child care services in New York. In 2005, Mayor Bloomberg boldly proposed doubling the number of children served in childcare programs. It was an audacious bid. But rather than grow at all, the city's childcare system has shrunk, the victim of declining support, rising costs and greater demand. Since 2005, the Bloomberg Administration has closed 16 child care centers, stopped offering new vouchers to everyone but welfare recipients, and resist-

ed increasing provider payments to keep up with market rates. The number of children in subsidized child care dropped from 110,000 in 2005 to 102,000 in 2010.<sup>11</sup> At the same time, the copayment for New Yorkers receiving subsidized care has spiked from 25 percent to 35 percent of income above poverty level.

Expanding child care services will be challenging in today's budgetary climate, when both the city and state face large deficits. But it is a challenge worth tackling given how essential affordable child care is for getting poor New Yorkers into jobs—and keeping them there once they're employed. Adequate child care for all workers is a prerequisite for a healthy economy.

## Why child care matters

One of the most profound changes in the American economy over the past half-century is the movement of women into the workforce. In 1969, women made up only a third of the workforce; now they make up half. In 1975, four in ten mothers with a child under age six worked outside the home. As of 2008, almost two-thirds did. In 1973, one in ten families was headed by an unmarried woman. By 2006, the proportion had doubled to one in five.<sup>12</sup>

Most parents can no longer stay home with their children in the early years. As a result, child care needs have grown dramatically. Traditionally, family members have provided care. But as our society has become more mobile, parents are more likely to live apart from their extended families. A cultural shift has also swung towards professional early care in response to research showing that child brain development benefits from stimulating learning environments, especially in the year prior to kindergarten.

For parents, child care has become a prerequisite for getting and keeping employment—especially for low-income families. One in five parents reported child care problems had interfered with getting or keeping a job within the prior year, according to one survey.<sup>13</sup> “High quality child care provides peace of mind for the adult,” notes Karen Elzey, director of the U.S. Chamber of Commerce's Institute for a Competitive Workforce. “If you're at work and not worrying about whether your child is safe, and you're not getting phone calls, you have a much better opportunity to be the best possible worker.”

Unreliable child care can force a middle-income parent to scramble. But it can cost a low-income parent his or her job. “Low-income workers don't have the kind of flexibility that middle-income workers do, where they can take time off

of work to take care of the kid,” says Loren Miller, director of Bushwick Impact, a Brooklyn group that provides support and advocacy services for low-income parents.

Even for child care workers themselves, child care can be an issue. “We had a mom who was an assistant teacher in a Head Start,” recalls Miller. “Her eligibility paperwork kept getting lost. She kept losing weeks of pay because she had to get child care.” A less sympathetic employer would almost certainly have fired such an employee.

If low-income parents depend on child care, that doesn't mean that they simply need a place to park their child. Parents realize that the stakes are too high for their children. Research has shown that brain development in the early years of life is more dramatic than anyone had realized, and the benefits of early education more profound. “What you're really looking for is a continuum of services for children,” argues Nancy Kolben, Executive Director of the Center for Children's Initiatives. “It starts developmentally at birth and moves forward.” Parents hope to find caregivers who will not just change diapers, feed their children lunch and keep them out of trouble, but who help their children recognize their numbers and letters, stimulate their burgeoning creativity and lead them in reading, singing, crafts and other activities that prepare them to walk into a kindergarten classroom prepared for formal schooling.

For stressed-out parents, moving their children smoothly from one point in the early care continuum to another is extraordinarily hard. Their journey is complicated by questions of availability, of convenience, of safety, and most of all, of cost. If officials are serious about cutting unemployment and helping low-income New Yorkers get and keep jobs, we must focus attention on boosting the city's child care system.

# A snapshot of NYC's child care system

Before plunging in, let's pause for a moment to consider New York's complex system for delivering child care. The city offers subsidized care to 102,000 children, as noted above, which is roughly one-fourth of those eligible. It first awards care to children of welfare recipients, as federal law requires. Additional resources are offered to eligible low-income families.

The city distributes its resources as vouchers, which pay the full cost of care and which can be used either at child care centers or home-based family day care settings, or as low-cost slots in city-subsidized centers. Those parents pay a modest co-pay towards the cost of care.

## What child care costs

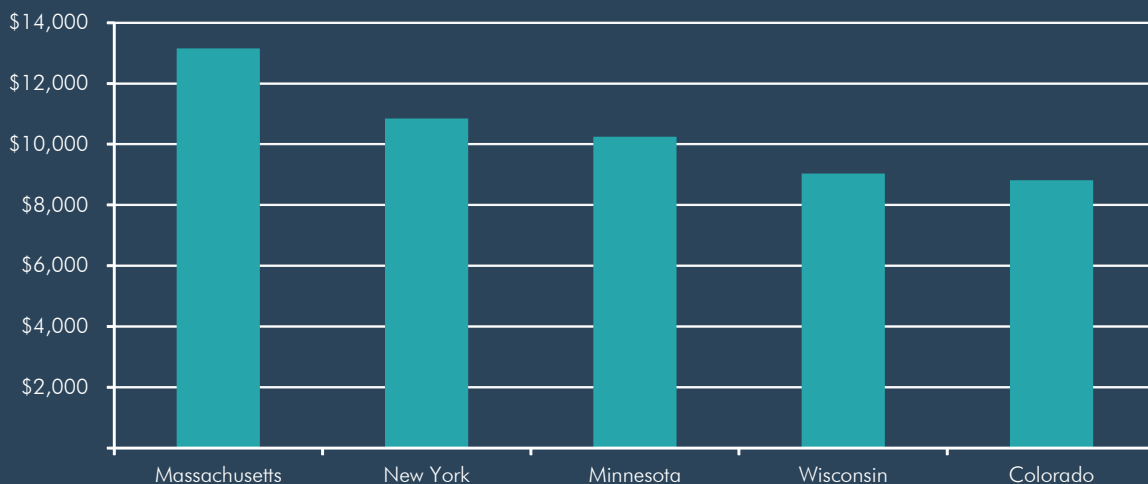
Child care is costly, especially when done right. Child care centers are structured to provide developmentally appropriate care, with children divided among several age groups. Their rates are typically far higher than those of home-based providers. Although center care staff often receive modest salaries and minimal benefits, those costs typically represent more than two-thirds of the expense of operating a child care center. Then come costs for rent, utilities and insurance plus ancillary expenses needed to ensure child safety, improve child development or expose staff to cutting-edge early care practices: CPR training, speech or occupational therapy and professional development.

High-quality care can be achieved in a home-based setting as well, but it requires specialized training, not merely compassion or the ability to relate to children. Many parents, anxious to get stable, convenient and low-cost child care hire a family member, friend or neighbor. In doing so, however, they may be depriving the child of developmentally appropriate stimulation. "Child care without child development is a missed opportunity," says Steve Barnett, director of the National Institute for Early Education Research and one of the nation's leading experts on early care and education.

High-quality care will strain any family budget, but it is literally unaffordable for low-income families without assistance. Child care costs are especially high in New York State. When the National Association of Child Care Resource and Referral Agencies surveyed child care costs in every state, the cost of center care in New York State ranked second in the nation, behind only Massachusetts, at a daunting \$10,847 annually for a 4-year-old.<sup>14</sup> [See Chart One.] For a family of four at the poverty level (\$22,050 in 2009), that would represent more than half their annual income. For a single mother at the state median income (\$25,847), it would represent more than 40 percent of her income. It's much higher than 10 percent of income, which the federal government recommends that families pay annually on child care.

Chart 1

## States with the Highest Market Rates for Child Care Centers (4-Year-Olds), 2008



Source: *Parents and the High Cost of Child Care: 2010 Update*, National Association of Child Care Resource & Referral Agencies, August 2010

Much of the cost differential stems from a state policy choice to pay subsidized child care providers enough to maintain a stable workforce, a commitment many other states have failed to make. In addition, the high costs of wages, rents and other expenses in New York City and its suburbs drive up child care rates.

Biannual state surveys have found that rates in New York City are about one-sixth higher than the rest of the state.<sup>15</sup> The most recent survey found that parents pay, on average, \$11,184 annually for center care for one four-year-old child in New York City, a huge sacrifice for any family—more than double the cost of tuition and fees at a CUNY four-year college. The rate for infants and toddlers is even higher, because state laws mandate a higher caregiver-to-child ratio for younger children. A parent who puts his or her child in a child care center from the child's first birthday until beginning kindergarten at age 5 will pay over \$50,000, enough to pay for a CUNY bachelors degree for two parents.

"There's a whole population of middle-class people in New York for whom child care is unbelievably expensive," says Jennifer Marino Rojas, a former assistant deputy commissioner of the Administration for Children's Services, now deputy director at the Children's Defense Fund-New York. "When you talk to a regular person, they can't afford child care."

Such costs are obviously unaffordable to parents scraping by from month to month. As of 2009, there were 293,000 families in New York City with income below the poverty level, more than half of them working full- or part-time.<sup>16</sup> While the city has expressed concerns about continuing to operate child care facilities in newly-gentrified neighborhoods like Brooklyn's Cobble Hill, where the proportion of low-income families has dropped for several decades, the data from the last few years shows the city's gentrifying wave may be rolling in reverse. Between 2007 and 2009, the population of New York families living below the poverty line jumped by 6 percent.<sup>17</sup> More than 9,000 families joined the ranks of the poor.

#### **Who needs child care, and who gets it**

In 2007, the Administration for Children's Services (ACS), which administers or funds most subsidized child care in New York City, launched its first citywide survey of the early care landscape.<sup>18</sup> They studied the availability and utilization of child care in every city neighborhood. Although they struggled with the limitations of available data, their conclusions were nonetheless startling. As of April 2006, the city's licensed child care providers had the collective capacity to serve 37 percent of all children under 6, regardless of income. Among providers who served low-income families,

however, the city only had capacity to provide subsidized care to 27 percent of eligible children. Adjusting for utilization—the percentage of children actually being served—brought the total down to 25 percent.

The unmet need is even greater for infants and toddlers, more expensive and difficult to care for than preschoolers. ACS found that the city had subsidized capacity to care for only one in five low-income children under two. Their findings matched the experience of those who run the city's resource and referral centers, which provide informational services to parents of small children. "We get more than half our calls from parents with children under three, because the supply is so inadequate," says Betty Holcomb, policy director at the Center for Children's Initiatives, a leading resource and referral center.

ACS determined the city was serving only one-quarter of all children in low-income families. But even that dismally low average disguised vast disparities among boroughs and communities, from a high of 37 percent in Manhattan to a low of 16 percent in Queens. The neighborhood of Astoria, while far from the city's poorest, had the city's lowest rate of child care available for low-income children, with capacity for serving only 4 percent low-income children in the community. [See Chart Two.]

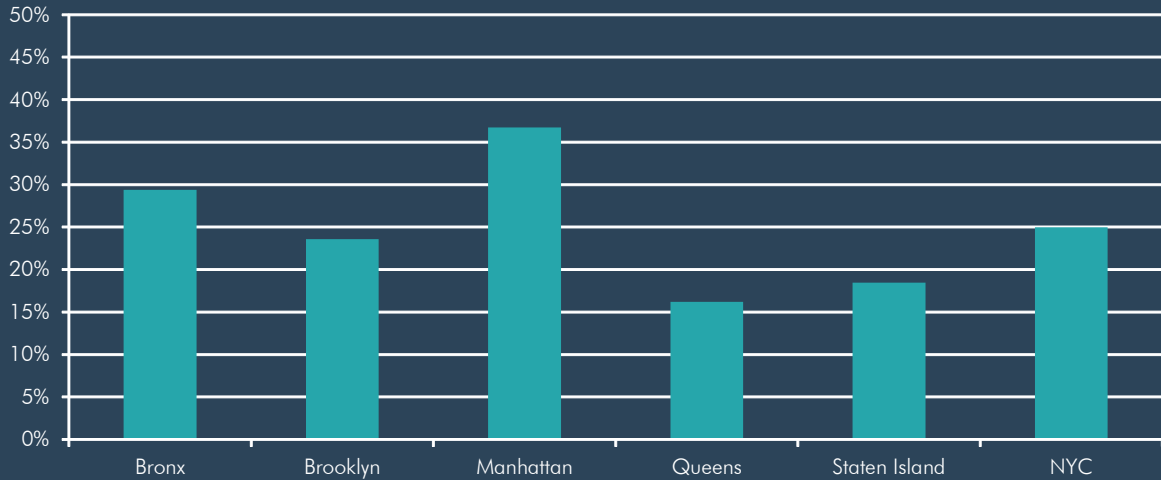
As of 2010, the city subsidizes child care for approximately 102,000 children below the age of six.<sup>19</sup> They fall into two groups of equal size but very different enrollment trends: public assistance recipients and all other low-income children.

Federal law requires that localities offer child care services to families on public assistance, as well as those transitioning off the program. In 1999, fewer than 30,000 city children in public assistance families received vouchers for subsidized child care, an unusually small number. As work requirements increased and the New York City Human Resources Administration publicized voucher availability, the population increased rapidly, almost doubling to 57,000 at its peak in 2006. The population has slipped since that time, although the recession seems to be driving up both public assistance enrollment and usage of child care vouchers again. [See Chart Three.]

For all other New Yorkers, the city subsidizes child care through a combination of vouchers and subsidized care provided in centers and home-based family day care settings. Enrollment of this population has fallen sharply from 59,249 in 1999 to 51,000 in 2010, a 14 percent drop over the past decade. Some of the decline represents interagency shuffling: in 2008, ACS reached an agreement with the City Department of Education to shift kindergarten-aged children from centers to public schools. The biggest factor behind this drop, however,

Chart 2

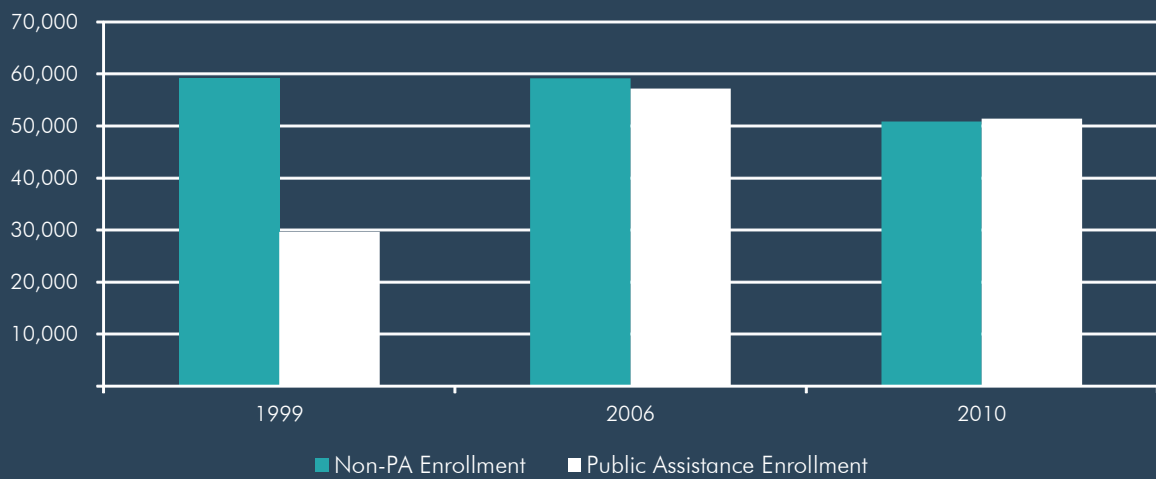
### Child Care Enrollment-to-Need Ratio, NYC and Five Boroughs



Source: Melanie Hartzog et al, *Charting the Course for Child Care and Head Start: Community Needs Analysis of Early Care and Education in New York City*, New York City Administration for Children's Services, August 2008.

Chart 3

### Changes in Child Care Enrollment, Public Assistance and All Others



Source: Paul Lopatto and Shari Westman, *City's Subsidized Child Care System Faces Rising Costs, Shrinking Funds*, New York City Independent Budget Office, October 2010.



is the city's need to give more of its limited resources to public assistance recipients, as federal law requires. Faced with stagnant state and federal support, rising demand for public assistance vouchers, and major city-wide budget gaps, ACS has taken drastic steps to reduce costs, namely by funding roughly 8,000 fewer child care slots than it did five years ago, even as demand has risen.

The current funding trends do not promise relief for the city's disadvantaged families, a serious problem for those seeking or trying to stay in a job. The federal government funds child care through two sources: the Child Care and Development Fund and the Temporary Assistance for Needy Families (TANF) program, also known as public assistance. The state re-grants this funding to the counties in the form of an annual block grant called the Child Care Block Grant, adding in about \$200 million in state tax-levy funding. All told, the state disburses just under \$1 billion annually in child care funding, of which New York City receives about half.<sup>20</sup> The Federal government also provides direct funding to New York City for the Head Start program, and New York State has dedicated funding of its own towards universal pre-kindergarten services.

Child Care Block Grant funding began to decline in 2009, but the American Resource and Recovery Act (ARRA)—also known as the stimulus bill—restored needed funding for the next two years. In 2011, that funding will expire unless Congress accepts President Obama's proposal to permanently add ARRA funding to the national child care budget. If Congress sets a lower funding level, as the deficit-obsessed Congress very well may, New York City will have to make additional budget cuts. These cuts will threaten the ability of low-

income residents to take part in the city's slow recovery from recession.

### How the City Awards Care

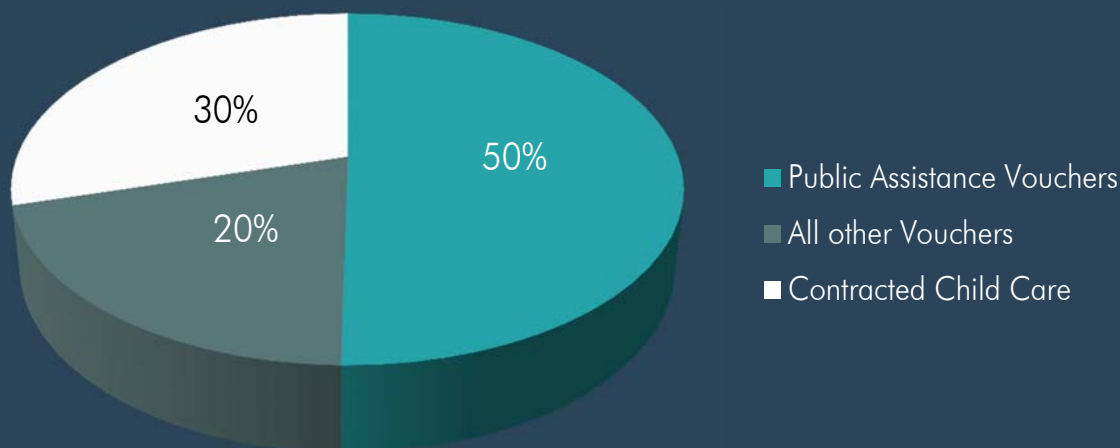
New York City finances child care for low-income New Yorkers through a mix of city, state and federal funding. These funds flow to low-income parents mainly through two vehicles: vouchers and subsidies. [See Chart Four.]

Vouchers cover the costs of child care services based on comparable rates paid by fee-paying parents. As of FY 2010, more than 72,000 children in low-income families were receiving child care services through vouchers.<sup>21</sup> New York City first issues available vouchers to any family on public assistance participating in a mandated work activity or making a transition to employment. The city then sets priorities for issuing its remaining vouchers to low-income parents not on public assistance, such as children in the child welfare system.

Vouchers provide rapid access to child care services. However, because they lack predictability and do not include the cost of educational services, many experts and providers believe that vouchers do not effectively support the development of high-quality child care options in low-income neighborhoods. Vouchers have sometimes been available to a higher percentage of low-income New Yorkers who worked or sought work. As budget cuts reduce available funding, however, ACS is in the process of eliminating vouchers outside of public assistance due to the state's failure to meet rising costs. That means the city does not have enough vouchers for low-income New Yorkers who are working or seeking work. Ironically, such restrictions increase

Chart 4

### How NYC Provides Subsidies for Child Care



Source: Mayor's Management Report Fiscal 2010, p. 34. Note: Chart does not include enrollment from Head Start or Universal Pre-Kindergarten programs, which serve overlapping populations.

the likelihood that families will be forced into welfare dependency.

Larry Provette, director of the Stagg Street Child Care Center in Williamsburg, shares the story of a parent recently laid off by the New York Police Department. The woman was told to apply for public assistance, rather than unemployment, because that way she would be guaranteed child care—critical for seeking work. “She came in here crying,” recalls Provette. “She said, ‘I’ve never been on public assistance in my life. But if I don’t, I’ll have no one to look after my children when I’m looking for work, and then I’ll never get out of my situation.’” Such dilemmas writ large suggest that a sharply limited supply of child care could roll the clock back to an era of stagnated welfare populations the city has tried to leave behind.

Outside of the vouchers, low-income families can also apply for a slot at a city-subsidized child care center or family provider. The city and state pay these providers based on their customers’ income and family size. As of 2009, a family of two needed to earn less than \$40,068 to qualify for subsidies, and a family of three less than \$46,692.<sup>22</sup> They can also accept parents with vouchers. This direct-funded city child care is also

date, but another six are scheduled to close in March 2011.<sup>24</sup>

Less newsworthy, but equally serious, are the growing waiting lists at many centers. ACS refuses to disclose the waiting list for vouchers,<sup>25</sup> but Betty Holcomb, policy director at the Center for Children’s Initiatives, estimates that at least 40,000 families citywide are on waiting lists for care. At University Settlement House on the Lower East Side, for example, the waiting list for child care slots has grown to more than 300 children—larger than the center’s actual capacity.<sup>26</sup> “They get on the list and they wait two years for an opening,” says Loren Miller, director of the Brooklyn group Bushwick Action. “I talked to one parent who got on the list and she got a phone call when her child was in kindergarten.”

### **Low-income Children: Getting care from a diverse and fragmented system**

Low-income parents in New York City get child care from a diverse set of providers, ranging from large child care centers that resemble elementary schools to informal providers who care for one or two children in their homes.

## **“New York City’s child care system is falling short and low-income workers are paying the price.”**

at risk, as its funding has been cut, causing deterioration in both affordability and availability.

Each of New York’s 58 social service districts sets its own rules for administering child care subsidy benefits. Most notably, counties can set the mandated copayment levels that low-income parents must pay anywhere between 10 percent and 35 percent of family income. Until recently, the city required relatively modest copays (25 percent of income above the poverty level) and capped contributions at 10 percent of income. In April 2009, with budgets in crisis, the city cut costs by raising the copay to 35 percent and moving the cap up to 12 percent of income. These may seem like small increases, but they mean a family of four with an income of \$33,000 pays \$1,100 more annually. It warrants pointing out that New York City still pays a larger share of costs than most other districts in New York State.<sup>23</sup>

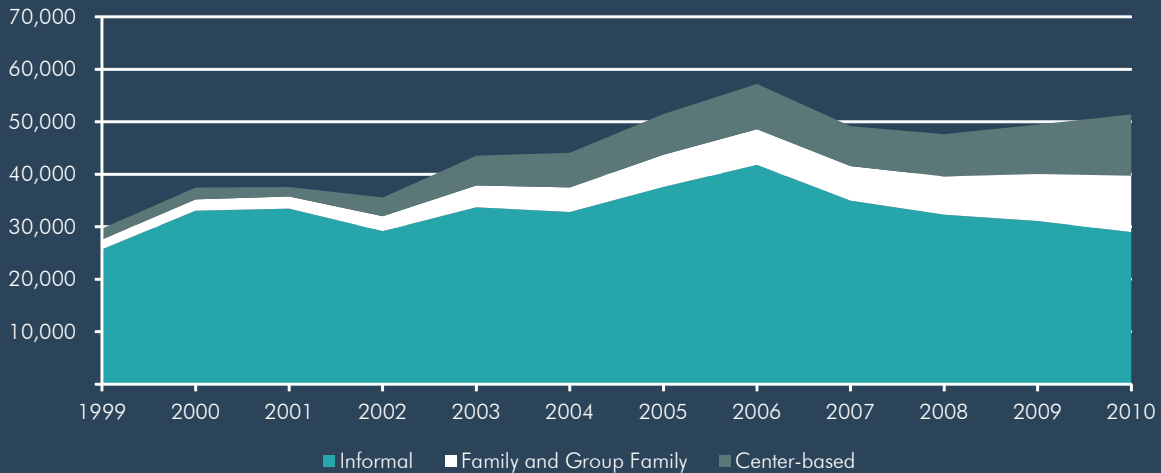
Fiscal pressures have also ignited a major battle over closing child care centers where low-income working families receive subsidized care. Earlier in 2010, ACS proposed to shutter 16 child care centers, mostly in Brooklyn, in neighborhoods which have gentrified such that fewer low-income families reside there than did a few decades ago. Only two have been closed to

*Child care centers* provide care to seven or more children in an institutional setting. Roughly four in 10 children from low-income families receive their city-subsidized child care in centers. Centers have important assets in providing child care, notably economies of scale that enable them to hire trained staff and provide child-friendly facilities.

Centers are, however, more costly to operate than other settings. They tend to pay their staff, which collectively bargains its salaries and benefits like municipal employees, better than other providers. Their space is also costly to operate. More than a hundred facilities were built by the city in the early 1970s, and today ACS leases these 40-year-old buildings directly from private landlords. Space in these “direct lease” centers is often poorly configured for a modern child care facility. They cost, on average, twice as much to operate per square foot as other centers due to their age, wasted space, and poor energy efficiency, according to analysts. As we will explore more fully in our recommendations section, this has led some experts to propose full rehabs of the city’s aging centers: Doing so would save money in the long run while dramatically improving the care environment.

Chart 5

## Public Assistance Recipients' Use of Child Care, by Setting, 1999-2010



Source: Paul Lopatto and Shari Westman, *City's Subsidized Child Care System Faces Rising Costs, Shrinking Funds*, New York City Independent Budget Office, October 2010.

Despite their current limitations, centers still offer invaluable child care capacity in low-income neighborhoods. "They support decent quality care in places where the market doesn't," argues Lee Kreader, a researcher at Columbia University Mailman School of Public Health and interim director of the National Center for Children in Poverty.

**Family or group family day care** providers care for three to 12 children in a private home. They are far less expensive than centers, but they also have fewer resources to bring to bear. Family day care providers may not have the training to provide age-appropriate developmental care or to market their services to middle-income families in their communities. In some areas, ACS has encouraged the development of "family child care networks" which can join together and hire "a designated staff person who coordinates and delivers direct support services to family child care providers."<sup>27</sup> At present, ACS funds over 2800 providers through family child care networks.<sup>28</sup> These networks are expected to be key to ACS's forthcoming EarlyLearn initiative.

**License-exempt** or informal care providers care for fewer than three children. They are not required to seek a license from the City Department of Health, nor are they regulated by that agency. Informal care providers are not eligible to provide city-subsidized care, but they can take vouchers. These informal providers provide quick, convenient and less expensive care. But they are the least likely to have training to provide developmentally appropriate care. ACS has educated public assistance recipients about their full range of child care choices, encouraging many to explore other options, and the proportion who choose license-exempt providers has dropped from 87 percent in 1999 to 58

percent in 2010. [See Chart Four.] Even so, public assistance recipients are four times as likely as other subsidized child care recipients to choose license-exempt providers.

#### Innovations on the Way, but Also Challenges

Low-income parents face serious challenges in accessing affordable care, a critical problem for those seeking to get or keep a job, and the city's chronic budget deficit threatens to worsen those challenges. One bright spot, however, is the Administration for Children's Services, which has been proactively planning reforms to the city's publicly-funded child care system over the past several years. A major reform project is due to hit the ground in early 2011, when the Administration for Children's Services releases a new Request For Proposals (RFP) entitled EarlyLearn NYC. EarlyLearn is intended to dramatically revamp the subsidized early care and education system along the lines that childhood development experts have found to be most effective.

The impending reform initiative is intended to deliver on ACS's landmark "Rethinking Child Care" report released in 2005.<sup>29</sup> "The fragmented nature of the early care and education system in New York City," wrote the report's main author, then-Deputy Commissioner Ajay Chaudry, "inhibits efforts to support children and families with access to appropriate care." In the report, ACS proposed a sweeping overhaul of subsidized child care to meet 15 objectives, such as improving eligibility determination, reallocating services to meeting communities' early care and education needs and devoting more resources to improving the quality of early care services.

“Rethinking Child Care” was widely applauded for balancing an overarching vision for the child care sector with a highly organized attention to detail. Follow-through on the report’s recommendations has been slow to emerge since 2005, although ACS released a detailed community needs analysis in 2008 that made it possible for the first time to identify the city’s most underserved communities.

In April 2010, ACS released the concept paper for EarlyLearn NYC.<sup>30</sup> By all accounts, the RFP will closely track that concept paper. It will include the following key components:

1. Developing a unified assessment system to hold all programs accountable to the same quality standards.
2. Making providers responsible for conducting community based enrollment and pre-screening for subsidized child care to facilitate enrollment and increase family access.
3. Implementing Project Full Enrollment, which will reimburse providers based on the number of children enrolled rather than their licensed capacity.
4. Encouraging providers to develop an integrated, mixed-financing model that includes private-pay families and grants from foundations and government agencies, blending multiple public funding sources.
5. Integrating providers into networks of local community support.

Advocates and providers have lauded ACS’s intelligent planning process. But the child care system of 2010 is not the system of five years ago, and they have cautioned that the widening chasm in New York City’s budget threatens to undermine ACS’s goals. “EarlyLearn is the kind of vision that a lot of experts in the field would say is needed,” says Kolben. “The issue is the resource question. Will the city make the choice to fund that?”

The most serious concerns revolve around enrollment in subsidized child care centers. ACS leaders argue that center enrollment has dropped to historic lows of approximately 85 percent occupancy. But under the city’s current formulas, it pays for unused slots at these centers, giving providers little incentive to fill them with children. ACS’s new Project Full Enrollment will penalize providers with low occupancy rates. In addition, ACS will require providers to obtain mixed financing through strategies like marketing to parents who can pay unsubsidized rates. The combined impact on providers’ financial viability could be destabilizing in some communities.

Liz Accles, senior analyst at the Federation of Protestant Welfare Agencies, fears that EarlyLearn, despite its promise of overdue reforms, may ultimately become a vehicle for budgetary cuts. “EarlyLearn is best suited for a time of program expansion, rather than an environment where budgets are being cut deep to the bone,” says Accles.

ACS officials, however, say that EarlyLearn will help them battle budgetary shortfalls by helping them use limited resources more efficiently and fairly. Much of ACS’ current work is already engaged in managing their limited funds as effectively as possible. “We are facing a very tough fiscal climate and difficult decisions are occurring citywide, making early care and education vulnerable in those circumstances,” says Sara Vecchiotti, assistant commissioner for policy and planning at ACS’s Division of Child Care and Head Start.

One concern in shifting to an enrollment-based funding system is that it assumes that there is a fast and effective system of eligibility determination. If a low-income parent experiences delays in gaining eligibility because of weaknesses in the system, or a difficulty in immediately producing appropriate paperwork, the provider must either accept the parent but not get paid, or force the parent to wait until the eligibility clears. With the current system, a number of providers and advocates report long delays to gain eligibility, too-frequent snafus around lost or mislaid paperwork, and unsympathetic staff.

“Too many times, what happens is the eligibility packages go in, and months later they get a response back, saying they’re ineligible because their pay stubs aren’t current,” reports Larry Provette of the Stagg Street Center. “So these bureaucratic bottlenecks have caused families to just give up.” The red flags over eligibility were reported only in Brooklyn—but ACS’s Brooklyn borough office handles one-third of the agency’s citywide caseload.

On the whole, however, ACS’s performance is strong. Despite chronic fiscal pressures and a narrow base of authority within the city’s decentralized child care system, ACS has not settled into a reactive mode. Instead, the agency is attempting to implement a proactive agenda based on research into how an early care and education system can best serve children from low-income families.

Yet effective planning at one agency is insufficient to enable the city to meet the needs of its disadvantaged communities. With resources dwindling, and demand growing, New York City’s child care system is falling short in deeper and more fundamental ways than ACS or any individual agency can handle. And, ultimately, it’s low-income workers who are paying the price.

# Recommendations

After looking at other cities and states, and consulting with experts in the field, it seems clear that New York City's subsidized child care system is falling well short of its potential. The city is serving only one out of four children from low-income families—and even fewer among infants and toddlers. Demand is growing, but the city's plans are to cut capacity further, thereby keeping a large number of low-income parents out of the labor market as the economy recovers.

We found certain key flaws in the New York City child care system. Most serious is a simple conceptual shortcoming in how the city thinks about early care and education—one that leads to underfunding. The city has made clear that the k-12 educational system is its top policy priority. A basic rule of education reform is that the further upstream you go, the more effective and cheaper the intervention gets. Helping a child is easier in 8th grade than 12th grade, easier in 4th grade than 8th grade, easier in kindergarten than 4th grade. Research has shown that this logic extends to four-year-olds and toddlers as well.<sup>31</sup> If the city develops—and funds—a strategy that starts at birth and continues through kindergarten, it can support both workers entering the workforce and their children's developmental needs. But the city has not invested the resources, attention and creativity to early care that it has devoted to the k-12 system.

The opportunity presented itself in 2005, when Mayor Bloomberg proposed to “integrate all of the City's early childhood education programs into a cohesive, high-quality and accountable system and double the number of Pre-K and childcare slots over the next four years.” Pre-K enrollment did rise, but childcare services actually dropped instead of doubling. And the cohesive, high-quality system still has yet to emerge, although EarlyLearn offers some promise for the future.

Both systemic reform and adequate funding could emerge, however, with focused attention from the Mayor, the Governor, and the city's business community, as well as other key stakeholders. Despite the city's ongoing budget crisis, important advances could still be made in expanding access to high quality and affordable child care. The Mayor's vision in 2005 was the right one, and the city should deliver on it.

**The City should develop a standing office on early care and education led by a top official in the Office of the Mayor to plan development of early care and education in New York City.** ACS is the most important early care agency, but not the only one. Other key agencies include the Department of Education, which manages pre-kindergarten and kindergarten services, the Department of Health and

Mental Hygiene, which oversees licensing and regulation of most child care providers, and the Department of Youth and Community Development, which runs the Out of School Time Program for school-age children. To advance broad reform, these agencies and ACS need to collaborate with state agencies as well, notably the Office of Children and Family Services. Despite the urgent need for coordination at the citywide and community level, however, ACS has been left to develop partnerships on its own. Whether the city adopts the Center for Children's Initiative's proposal to establish an “Office of Early Care and Learning,” or tries another strategy, some standing entity with mayoral support needs to lead the way.<sup>32</sup>

**The city should convene stakeholders and community members to formally advise agencies in planning around early care and education.** New York City's child care policy has no formal mechanism for taking input from experts in the field, advocates, providers or others who are knowledgeable about the policy, financing or delivery of early care and education. At the state level, policymakers are advised by the Early Care Advisory Council, which provides exactly this kind of expertise. Other cities have developed viable models as well. For example, San Francisco's Child Care Advisory Council advises the city on numerous critical early care issues.<sup>33</sup> New York City's policymakers should establish formal structures for outside input to avoid being plagued by insular and/or adversarial decision-making.

**The city should forge new partnerships with the business community and ask respected business leaders to take charge of an inclusive planning initiative.** Business leaders should be important supporters of child care and pre-kindergarten services in New York City. They employ workers who need high-quality child care to reach their maximum productivity, and they need an effective educational system to provide an educated and high-skilled workforce. In other cities, businesses play a vital role. For example, the Greater Richmond Chamber of Commerce worked in partnership with United Way to create “Smart Beginnings,” a coalition that built a comprehensive plan for expanding high-quality early care and education in Richmond, Virginia.<sup>34</sup> Business leaders who care about early care can be the city's most effective advocates in Albany and Washington, and they can partner with the city to build new child care capacity for their own employees. Yet the business community in New York City, while heavily invested in strengthening the K-12 system, appears to be entirely disengaged from child care and Pre-K. Decisive

intervention from the Mayor's Office and the Department of Education could change that equation for the better.

**The city should conduct detailed facilities planning to evaluate current child care centers, with an eye towards engaging in building retrofits to reduce operating costs and improve care.** Much of New York's subsidized child care capacity is tied up in child care centers constructed during the early 1970s. According to ACS, there are currently 123 "direct lease" centers, and they cost, on average, twice as much to operate per square foot as other centers due to their age, wasted space and poor energy efficiency. "If you go out and look at the direct lease sites, most of them look like elementary schools," says Claudia Siegman, a consultant specializing in facility management who sometimes works with ACS. "They're not particularly well-designed." Yet the centers play a critical role in their communities. Siegman draws a tantalizing picture of the potential changes at a direct lease center: community participation in a top-to-bottom rehab which leverages public and private resources to rebuild the center from the inside out. Rebuilt centers could include space for other important (and revenue-generating) uses, such as senior housing or community meeting space. Such overhauls, while much-needed, would take a major city commitment of both money and high-level support.

**City agencies should accelerate the integration of data systems responsible for services to low-income families.** To an extent difficult to imagine as recently as a decade ago, data can revolutionize the management of public policy, transforming service delivery systems from fragmented and compliance-oriented to coordinated and improvement-driven.<sup>35</sup> New York City's K-12 school system has become a national model for both driving smart policy reform and assisting teachers by identifying children at-risk of falling behind and dropping out.<sup>36</sup> The early care system lags far behind K-12, however. Each agency's data resides in a separate "silo," and communication between them is difficult. The Department of Education cannot say, for example, how many pre-kindergarten students also receive child care services from ACS.<sup>37</sup> The two agencies are currently working together to share a data system called QRIS so they can track the quality of publicly-supported early learning programs.

This would be a tremendous breakthrough for the system. But it is not sufficient. The city needs learning outcome data so it can identify providers who do an unusually good job of preparing children for the formal educational system—and those who do not. Policymakers need to know which day care setting works best and why, so they can recommend proven models and pressure providers who lag. It would also be valuable to have a "portfolio" that follows each child from one provider

to another, so that teachers know something about their students' needs when they walk in the door.

**The city should set a short-term goal of maintaining current levels of child care access in low-income neighborhoods.** In the face of growing structural deficits at the city and state level, it may not be realistic to expect the city to expand availability of subsidies to quality child care over the next year or two, even in the neediest communities. Instead, the city should focus on maintaining and improving its current assets. When finances improve, experienced child care providers in low-income neighborhoods will offer a solid base for expanding access to high-quality care.

**The state and city should collaborate to identify new funding sources and financing strategies for early care and education.** Only one in four low-income New York families have access to subsidized child care. The city needs more child care capacity, yet currently services are being cut. Clearly, more funding is needed, yet both the state and city face large budget gaps.

One alternative to being at the whim of recessions and dwindling revenues would be for the state or city to establish a dedicated revenue source for child care. Other states and municipalities have taken this route. Seattle created a families and education levy to provide funding for early child care, out-of-school time and youth development programs that raises \$69 million annually. Portland, Oregon created a Children's Investment Fund with a small property tax surcharge (40 cents per \$1000) that raises \$10 million annually for early childhood education and related services. Arkansas passed a 3 percent excise tax on beer that benefits early childhood education programs and child care for the working poor. The advantage of creating a new, dedicated funding stream for early care and education based on a special-purpose revenue source is that such an approach provides new funding for child care without competing with vital state services.<sup>38</sup>

If the state or city can access new funding for early care and education, it should experiment with strategies that soften the sharp eligibility cliffs of the current system. At present, a public assistance recipient who gets a job will lose his or her child care voucher after a limited transition period, even if the job pays poorly. And working New Yorkers who earn a dollar more than the income threshold lose all access to subsidies. A system that resembled the sliding scale of the Tuition Assistance Program for college students would make more sense.

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