The New York Public Welfare Association's Perspective on Childcare

The New York Public Welfare Association (NYPWA) is a not-for-profit organization, representing the fifty-eight social services districts throughout the State of New York. These local offices provide and administer the full range of publicly funded social services and cash assistance programs. As it relates to the issue of this paper, families whose income meets state guidelines and other eligibility criteria may receive a subsidy to pay their childcare costs.

New York State has made a historic $2.2 billion investment in childcare, increasing the eligibility threshold, lowering parents' fees, and increasing payments for absences to childcare providers. NYPWA specifically wishes to highlight information about childcare and the Child Care Assistance Program (CCAP). With the 2025-2026 State Budget adopted, the opportunity for state leaders to support changes to this program will be available in the coming budget cycles. Access to affordable childcare is of utmost importance to the economic stability of every family receiving assistance. Families should not have to choose between working or staying home to take care of a child, especially if that family is economically disadvantaged.

Historically, the goal of the Child Care Assistance Program was to help Temporary Assistance (TA), and low-income families pay for childcare so they could become self-sufficient by getting a job, paying household bills, and not having to worry about those funds going to childcare. As more funding was appropriated for childcare services, the opportunity to expand to higher-income families made the goal of universal childcare a possibility. With the expanded eligibility thresholds to eighty-five percent of the state median income standard, more families have become eligible for services. Districts at the behest of the State engaged in outreach activities to make more families aware that the childcare subsidy was no longer a low-income program, but one that could benefit a broader range of the population. The response from the public outreach activities was successful, and the number of children receiving subsidized care increased dramatically in the past two years. Unfortunately, 2025 has proved to be the tipping point where participation has begun to exceed allocations to districts. As of this writing, sixteen social services districts have either gone to wait lists for their childcare programs or are denying cases for eligibility due to a lack of funding. We expect that number to grow through the remainder of 2025 and into 2026.

Several issues listed below impact the operation of childcare services at the local district level. We will explain them in greater detail:

- Funding the current needs, & the expansion as more families move into the system
- Predictability in funding at the county level, and an established multi-year allocation
- How Low-Income Families are Disadvantaged when Childcare Funds are Exhausted
- Living wage for providers and staff
- How Dollar-for-Dollar Matching Funds Undermine Universal Childcare
- Returning Flexibility to Local Districts
- Support for Universal Child Care

<u>Funding the Current Needs & Expansion of the Program</u>

Changes made at the State level have expanded income eligibility limits, making tens of thousands of families newly eligible. According to OCFS data in 2023, the Child Care Assistance Program (CCAP) services 147,000 children in 80,000 families. For 2024, that number grew to 174,000 children in 104,000 families. As more families seek assistance with childcare expenses, we expect the number to continue to rise in 2025. We fully support increased participation in the childcare program for the positive development impact, as well as the economic stability that childcare can bring to a working family. Increased participation in the childcare program is a positive step toward universal childcare, and state policymakers must think about long-term funding to make this policy initiative come to fruition.

The progress that our state has made to expand childcare is unfortunately in jeopardy. New York City has raised the alarm that every month between 4,000-7,000 families in New York City alone, will lose or be denied childcare assistance if additional funding is not found. While the State has appropriated an additional $350 million to New York City to assist with their shortfall, another sixteen counties, with more potentially joining each month, have already closed enrollment and begun turning families away. This is not a solely "metropolitan" issue, because these counties are rural, suburban, and urban. Childcare is a nonpartisan issue. People of all political ideologies know that accessible childcare keeps workers working, and New York children safe and better prepared to enter the school system.

The solution comes down to priorities. Billions of dollars are necessary to support universal childcare, and without the funding, parents will be forced to make tough decisions, including whether they will continue to work. Childcare providers already operate within narrow profit margins and are at risk of decreasing available slots or ceasing operations altogether, which only creates additional childcare deserts and further complicates access to childcare for families. As Sabrina Jaar Marzouka, JD, MPH, the current Commissioner for Dutchess County Community & Family Services, states:

> "*We need childcare that is not only accessible and affordable but that is also of high quality. Low wages, high prices, and childcare deserts are challenges that must be confronted for our children who deserve a caring and stimulating environment, for the parents in the workforce who need to know their children are safe while they are at work, and for the employers who require a dependable workforce. The time to act is now*."

Looking ahead to the next federal fiscal year (October 1, 2025 - September 30, 2026), the period covered by the CCAP funds included in the 2025-26 NYS Budget, it is anticipated that nearly every county in the state will run short of CCAP funds at some point during that period if there is not a significant influx of funding to support the expanding eligible population.

The NYPWA supports the request that was submitted by way of correspondence date April 7, 2025, to the Governor, Senate Majority Leader and Speaker of the House, by distinguished members of the Senate and Assembly requesting the State invest at least $1 billion for childcare over what the Executive Budget proposed for the childcare assistance program and workforce support. Investing in childcare providers and the children and families they serve will make our state more affordable for all and will begin to address the childcare workforce shortage to ensure programs can operate at fully licensed capacity to meet growing needs.

Predictability in Funding at the Local Level

Local Commissioners have been communicating with their elected officials that if dollars are not added to this critical program, districts will be forced to deny cases for services that would be otherwise eligible. This impacts both applicants for services as well as those receiving a childcare subsidy as they come up for recertification, since they could be placed on a waitlist for services. This disruption needlessly destabilizes families who rely on a childcare subsidy to ensure their child attends and receives quality care and relieves them of the fiscal burden of care so that household income can be devoted to equally important aspects of their lives. Districts have made requests to the New York State Office of Children and Family Services (OCFS) for additional childcare funds but have been told there is no money remaining in the current subsidy program fiscal year that can be reallocated to the CCAP. Waitlists are no longer avoidable and OCFS is directing the local process to create a single set of guidelines for every county, which does not account for the unique needs and capacities of each community. Lacking an influx of funding to support the program, control needs to be restored to the districts in terms of determining eligibility thresholds, parent fees, authorization periods, and paid absences, so it can be reflective of each district's needs and management of their childcare allocation.

How Low-Income Families are Disadvantaged when Childcare funds are Exhausted

In the current State Fiscal Year 2025-2026, some districts' spending for childcare assistance exceeds their state allocations. Local governments are not able to absorb these costs to maintain a continuity of operations. Therefore, districts are placed in a position where they must make tough decisions about closing enrollment to new applicants, and also taking currently enrolled families and closing their cases at the end of the twelve-month authorization period, and placing them on a waiting list. Even if sufficient funds should become available, being on the waitlist is no guarantee that a family would be a priority population for reopening should funding become available. A new eligibility determination needs to be completed. There are priority populations that are identified by Federal and State rules, such as federal rules prioritizing homeless families, families with very low incomes as defined by OCFS, and families with special needs children. Without local discretion to prioritize families who are in the lower income bands, those families will most likely be unfairly disadvantaged.

Living Wage for Providers and Staff

It is difficult to recruit and retain childcare staff because the pay is so low, and the work is consuming. Across New York, childcare providers are unable to operate their businesses at full capacity due to inadequate staffing. This leaves families on providers' waiting lists, struggling to access and afford care, and leaves many communities with childcare deserts. Adequate funding for providers needs to be competitive and indexed to cost-of-living increases on an annual basis to encourage individuals to pursue and remain in the childcare field. A funding methodology for providers that is secure and predictable can induce expansion in childcare slots, making it easier for parents to locate needed childcare and ameliorate existing childcare deserts.

How Dollar-for-Dollar Matching Funds Undermine Universal Childcare

The adopted 2025-2026 budget does include an additional $400 million to the childcare allocation, which is well short of the $1 billion request from members of the legislature. $350 million is allocated to NYC, with the remainder of $50 million dedicated to Rest of State (ROS). As it applies to NYC Social Services Law 410-Y has been amended. This section of the law establishes the maintenance of effort (MOE) for childcare under the block grant program. Specific language has been added that states, "a social services district for a city of a population of a million or more shall spend local funds for childcare assistance at an amount no less than three hundred twenty-eight million dollars."

It should be noted that the current MOE for NYC is $52 million. In effect, the state is now requiring NYC to put up a match to draw down funds to prevent the closure or waitlisting of cases. This is a dramatic increase in the state requiring matching funds for an initiative they have long touted as a state goal. By raising the MOE on NYC, they are left no choice but to increase local spending to draw down the matching funds. It should be noted that any funding from this pool that is not utilized by NYC can be used by the rest of the state districts, but the matching requirement still applies. This action by the state to increase local costs for childcare creates a precedent that forces districts to decide what expenses must be cut to absorb increases in childcare expenses.

With respect to the other $50 million, that will be available to ROS only in situations where districts have exhausted their childcare allocation. The wording states districts can receive $250,000 or 6.5 % of the 2024-2025 allocation (whichever is greater), and the funds would be 100% state share.

We support access to childcare premised on sufficient capital that doesn't require an increase in matching funds to carry eligibility changes the state has mandated.

Returning Flexibility to Local Districts

Over the course of the past three years, changes have been made to the childcare program to expand eligibility, extend authorization periods, lower parent fees, and increase the number of paid absences. These changes were made at a point in time when allocation dollars were plentiful and modifications to the program were warranted. With increased enrollment and plateaued funding, consideration needs to be given to restoring local district flexibility in terms of how childcare dollars are administered.

Prior to 2022, districts had discretion in terms of defining the multiplying factor when determining the parent fee for childcare. Districts had the option of selecting a multiplier between 10% - 35% of the family income. This type of flexibility allowed a district to determine how to best administer their allocation by knowing the unique demographics of their locality and maximizing funds available for childcare services. In the name of uniformity, the State has mandated a 1% parent fee. This was done at a time when adequate funding existed within the system, but that is no longer the case. While we concur that making the parent fee as low-cost as possible is desirable, it has created a circumstance where families are losing their subsidy due to the CCAP's limited funding.

Paying for childcare absences is also another element of discretion that has been removed from the local districts. Previously, a district would pay up to 24 absences per child to a childcare provider per year. That number increased to 80 absences per child, per provider, per year. While we support the need to provide stable and consistent funding for childcare providers, we believe the number of paid absences is excessive, and districts should be able to determine within a functional range what would be optimum when having to balance the childcare allocation against the needs of the parent and provider community.

As has been mentioned, with the increases in caseload and limited expansion in funding, districts have been placed in a position of having to make decisions regarding the denial of new applications for assistance as well as placing existing cases on a waitlist when they come up for recertification. While we acknowledge federal rules regarding the administration of childcare funds, it's imperative that decisions regarding waitlist listing and denials of new applications must be reflective of the budget realities occurring at the local level and districts must be given the greatest degree of flexibility to administer finite resources.

Support for Universal Childcare

The Governor and State Legislators are ultimately seeking to move the state to universal childcare. This is a noble goal, and something that NYPWA supports. To achieve this goal, funding becomes the critical lynchpin to ensuring that it becomes a sustainable reality. We support the position that $1 billion needs to be added to existing funding allocations. Future allocations must be indexed for caseload growth, rate increases, and support for providers looking to make childcare a viable career. Absent these commitments from the state to fully support universal childcare, flexibility needs to be returned to the districts to determine eligibility thresholds, parent fees, paid absences, and authorization periods. Flexibility recognizes that districts are in the best position to determine how to manage what funds are allocated to them.