

STATE BUDGET CUTS TO CHILD CARE THREATEN WELL BEING OF CHILDREN IN LOW-INCOME WORKING FAMILIES

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Introduction

This year as part of the New York State budget, the legislature cut \$42 million dollars from the New York State Child Care Block Grant (NYSCCBG). [2](#) As a result, many low-income working families are at risk of losing child care assistance. Last year the NYSCCBG provided child care subsidies to over 128,000 New York low income children from working families and families receiving public assistance. [3](#) Because New York State law guarantees child care assistance to families on public assistance who participate in work activities, [4](#) the entire impact of this funding cut will fall upon those low-income working families who are not on public assistance. Without a child care subsidy, working families may be forced to either sacrifice the quality of care their children receive, or leave the work force altogether because the cost of child care will exceed any benefits they gain from being employed.

The legislature has developed a proposal that might allow some working families to retain their subsidies. This past session, Senator Diane Savino and Assemblymember Michele Titus introduced S.5586/A.8101, which would amend Social Services Law § 332(d) to temporarily exempt public assistance recipients with children under the age of one from work rules. The bill would not affect the child care guarantee for public assistance recipients in Social Services Law §410-w and would allow public assistance recipients who choose to work or participate in training to retain their entitlement to a child care subsidy. The legislation would create savings because child care for families with infants is the most expensive type of child care; the state and local social services districts bear the full cost of child care for families on public assistance and there is no parental contribution or copayment for families on public assistance. [5](#) In contrast, working families that are not on public assistance contribute to the cost of care by paying a percentage of their income as a parent fee. The savings from this legislation would redistribute scarce funds from public assistance recipients (who are required to participate in workfare or training programs as a condition of eligibility for their benefits) to low-income families with real jobs, supporting them in maintaining their employment. The legislation is a temporary measure, intended to respond to the current economic crisis and will expire two years from enactment.

Statewide Funding Cuts

The New York State Child Care Block Grant (NYSCCBG) provides financial assistance to working families if they are income eligible, generally, under 200% of poverty. [6](#) The NYSCCBG is primarily funded with two federal block grants: the Child Care and Development Block Grant [7](#) and the Temporary Assistance for Needy Families (iTANFi) Block Grant. [8](#) In fiscal years 2009-2010

and 2010-2011, New York State was able to increase the NYSCCBG by \$42 million each year with federal stimulus funds from the American Recovery and Reinvestment Act (ARRA). ⁹ However, the cuts made in this year's budget due to the loss of ARRA funds have reduced the total funds available for child care assistance from over \$847 million in 2010-2011 to \$804.3 million for 2011-2012.

Effect of Funding Cuts on Local Social Services Districts

The Office of Children and Family Services (OCFS) distributes the NYSCCBG subsidy funding to the local social services districts using a complicated allocation formula based on historic spending and other factors. ¹⁰ The budget cuts required OCFS to reduce funding to all but 14 of the 58 local social services districts for the 2011-2012 fiscal year. The allocations to Broome, Chautauqua, Erie, Monroe, Onondaga, and Suffolk were each reduced by over \$1 million and Erie and Suffolk lost over \$4 million. New York City's allocation was reduced by nearly \$35 million. The chart below illustrates the ten largest cuts experienced by counties outside of New York City. ¹¹

When faced with reduced funding allocations, these local social services districts will have no choice other than to cut the subsidies received by working families because the subsidies received by public assistance recipients are protected by the child care guarantee. This will force low-income working parents to "cut back their hours, turn down promotions and training opportunities or even quit work altogether," because the cost of child care will exceed any benefits they gain from maintaining their position in the work force. ¹²

Impact of an Increase in Child Care Costs, and a Decrease in Subsidy Funds

The Titus/Savino work exemption bill is a critical response to the decline in funding for the Child Care Block Grant. It takes into account that over half of the NYSCCBG supports child care for public assistance recipients, ¹³ most of whom are not employed but who may nevertheless require assistance with child care, because they are required to participate in work activities as a condition of eligibility. ¹⁴ Work activities include " . . . on-the-job training; job search and job readiness assistance; community service programs; vocational education; job skills training; education related to employment . . . secondary school attendance or study leading to an equivalency certificate." ¹⁵ Parents engaged in these work activities are given a child care subsidy to assist them with the cost of child care.

By creating a work exemption for public assistance recipients with children under the age of one, the bill recognizes the high cost of child care for infants – estimated at double the cost of tuition at a four year public college. ¹⁶ The average annual tuition paid for full-time center care for an infant is \$13,630. ¹⁷ Significantly, child care costs have increased so rapidly in recent years that child care has overtaken housing as the largest and most substantial expense of a low income working family's percentage of income. ¹⁸ For instance, a family in Broome County consisting of two adults and an infant preschooler can expect to spend \$1,305 on child care per month, which is nearly double their \$728 housing costs. ¹⁹ Families in Erie County can expect their child care costs to be more than double their housing costs. ²⁰ An Erie County family with a household consisting of two adults and an infant preschooler faces child care expenses of \$1,580 per month, with their monthly housing costs totaling \$740. ²¹

By exempting parents on public assistance from work activities for a full year, these unused subsidy dollars can be distributed to low-income working families. For example, one full-time infant care

slot from a public assistance family buys 3.4 full-time preschool slots for working families in thirteen counties: Broome, Chemung, Chenango, Cortland, Franklin, Genesee, Greene, Montgomery, Schoharie, Seneca, Sullivan, Wyoming and Yates. The remaining counties can expect to receive between 2 and 2.9 full-time preschool slots for working families with the one full-time infant care slot from a family on public assistance. [22](#)

Work Exemption Effective in California and Other States

The exemption provided in the bill is voluntary. Even assuming that approximately 40% of those eligible will not opt to take the exemption and will continue in training or a work activity, this proposal will allow New York to shift approximately \$16.4 million in child care funds to low-income working families. This estimate is based on savings in California when that state enacted a two year work exemption. California is not unique. More than half of the states exempt parents with children under the age of 12 months of age from work rules. [23](#) California, Vermont and Washington provide exemptions for up to two years of age. California's two year work exemption for new parents receiving public assistance has saved the state \$376.8 million annually as a result of the subsequent decreased demand on child care funds. Nearly half of this savings was from administrative costs averted due to a decrease in funds necessary to run and maintain many of the work programs. [24](#) This formula has proven to work in a state as large as California; it is highly likely that similar success is possible in New York. If New York were to assume similar savings in administrative costs, we estimate the state could generate an additional \$12 million in savings.

The Work Participation Rate Issue

As a condition of receiving federal TANF funds, New York State must meet federally mandated work participation rates. [25](#) This means that a certain percentage of individuals receiving ongoing TANF benefits must be engaged in a work activity. The failure of the state to meet these participation rates may result in a financial penalty. Many worry that expanding the work exemption for public assistance recipients will make the state vulnerable to such a penalty.

There are several ways that this issue can be addressed. First, federal law permits states to exclude certain families from the denominator when calculating the work participation rate. One category that can be excluded is a onetime lifetime exemption of 12 months for caretakers of a child under the age of one. Therefore, for the first child of a family on TANF, there will be no impact on the work participation rate, and therefore, no TANF penalties. Second, states are free to create separate state programs which are funded solely with state and local funds and which are not subject to the TANF work participation requirements. New York has already created a separate state program for two parent families because the federal government has a very high participation rate requirement for such families and having a separate state program protects against these penalties. [26](#) Vermont, for example, which provides a two year work exemption, has all its families with a child under the age of two in a separate state program. [27](#)

Conclusion

New York faces a child subsidy crisis that may force thousands of low-income working families out of the work force and onto public assistance. Next year funding for child care is expected to decrease even further as a result of the elimination of the federal TANF contingency fund. Overall, New York is expected to see a 16% reduction in its federal TANF grant which is expected to result in further cuts of \$37 million cut to child care. [28](#) While the decrease of funding for child care

subsidies is inevitable, the proposed bill is a potential remedy. With the passage of this bill, New York can provide more low-income working families with child care subsidies allowing them to remain in the work force, simply by exempting families receiving public assistance for one year. New York needs this bill to allow struggling low-income working families to remain in the workforce.

Endnotes

1 JR Cummings and Nicole Kulik are legal interns at the Empire Justice Center, Albany office. JR is a J.D. Candidate 2012 Syracuse Law School; Nicole is a J.D. Candidate 2012 Albany Law School.

2 N.Y. STATE, ENACTED BUDGET: FIN. PLAN FOR FISCAL YEAR 2012 (May 6, 2011).

3 Average Number of Children Per Month Receiving Subsidized Child Care (NYS CCBG and ARRA) in February 2011 through January 2011 per District Case Type, from the Office of Children and Family Services obtained by the Freedom of Information Act on file at Empire Justice Center (hereinafter OCFS Foil Request).

4 N.Y. Soc. Serv. Law §410-w (1) (a)-(e) (McKinney 2010).

5 18 NYCRR 415.9(j) (2011).

6 *Id.*

7 42 U.S.C. § 9858, et. seq. (2011).

8 42 U.S.C. § 618 et. seq. (2011).

9 American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, 123 Stat. 115 (codified as amended in scattered sections of 42 U.S.C.).

10 See 11 OCFS-LCM-05, *New York State Child Care block Grant Subsidy Program Allocations for State Fiscal Year 2011-2012*, p. 3, available at <http://www.ocfs.state.ny.us/main/policies/external/>

11 For a county by county breakdown for all local services districts on the loss of funding allocations for the 2011-2012 fiscal year, see the Empire Justice Center website at <http://www.empirejustice.org/>.

12 Center for Children's Initiatives, *When Families Eligible for a Child Care Subsidy Don't Have One: A Case Study*, available at <http://www.nynp.biz/CCIRreport.pdf> (last visited July 12, 2011).

13 OCFS Foil Request, *supra* note 2.

14 NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE BUREAUS OF DATA MANAGEMENT AND ANALYSIS, 2009 STATISTICAL REPORT ON THE OPERATIONS OF NEW YORK STATE TEMPORARY ASSISTANCE PROGRAMS (2009). See Tables 9,10, 12, 13, 19, 20

15 42 U.S.C. § 607(d)(1)-(12) (2009).

16 Lisa Belkin, *Child Care Costs More than College*, N.Y. TIMES, Aug. 9, 2010, available at <http://parenting.blogs.nytimes.com/2010/08/09/child-care-costs-more-than-college/>.

17 Diana M. Pierce, *The Self-Sufficiency Standard for New York State 2010*, UNIVERSITY OF WASHINGTON, 59 (2010).

18 *Id.*

19 *Id.*

20 *Id.* at 65.

21 *Id.*

22 N.Y. State Office of Children and Family Services, Local Commissioner's Memorandum: *Child Care Market Rates 2009-2011*, 10-OCFS-LCM-01 (March 11, 2010); 18 NYCRR 415.9(j) (2011).

23 Alaska, California, Connecticut, Delaware, D.C., Georgia, Illinois, Kentucky, Louisiana, Maine, Maryland, Mississippi, Missouri, Nevada, New Hampshire, New Mexico, North Carolina, Ohio, Pennsylvania, Rhode Island, Texas, Vermont, Virginia, Washington, West Virginia. See

Administration for Children and Families, Temporary Assistance for Needy Families (TANF): *Eighth Annual Report to Congress: Specific Provisions of State Programs*.

24 S5535-2011 Memo (May 9, 2011), available at <http://open.nysenate.gov/legislation/bill/S5335-2011>.

25 42 U.S.C. § 607 (2009).

26 Congressional Research Service, *The Temporary Assistance for Needy Families Block Grant: A Primer on TANF Financing and Federal Requirements*, (Dec. 22, 2010), available at <http://www.workforceatm.org/sections/pdf/2011/TheTemporaryAssistanceforNeedyFamiliesTANFBlockGrantAPrimeronTANFFinancingandFederalRequirements.pdf?CFID=2088300&CFTOKEN=77951703>.

27 Dep't for Children and Families, Vermont TANF State Plan Renewal (Dec. 23, 2009), available at http://dcf.vermont.gov/sites/dcf/files/pdf/reports/ESD_TANF_State_Renewal_Plan.pdf.

28 L.Schott and L. Pavetti, Center on Budget and Policy Priorities, *Federal TANF Funding Shrinking While Need Remains High* (Dec.10, 2010).