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THE PUBLIC ADVOCATE
FOR THE CITY OF NEW YORK

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■ POLICY REPORT: CHILD CARE IN NEW YORK CITY

Part II : Investing in Child Care

***An analysis of subsidized
childcare options in New York City***

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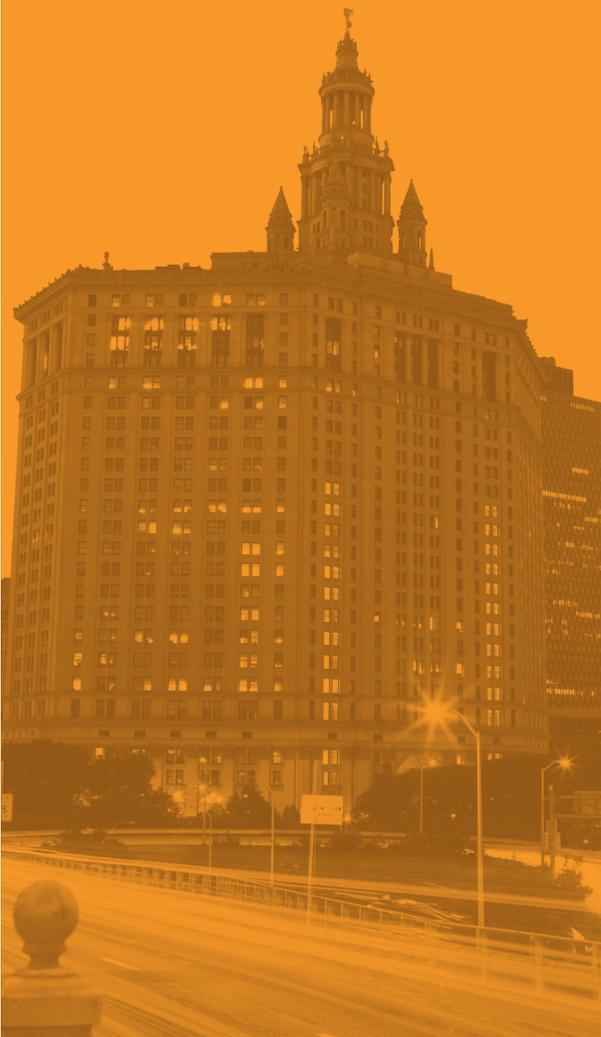




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EXECUTIVE SUMMARY

The research on the relationship of child care to labor force outcomes is clear: affordable and quality care is positively linked to economic and social mobility. In New York City, which is rife with income inequality, young children are more likely than ever to live in poverty and family budgets are continuously being squeezed. The cost of child care in New York City is increasing by an average of \$1,612 each year. Today, the average family spends up to \$16,250 per year for an infant, \$11,648 for a toddler and \$9,620 for a school-age child - making child care unaffordable for many low and middle-income families.¹

Without subsidized child care, a family of three in New York, living at the poverty level, would have to pay almost 58 percent of their income for full-time infant care.² Subsidized child care serves many impoverished New Yorkers, but even with subsidies a family's finances can be strained: a single parent with one child earning \$25,000 per year must pay annual child care fees of \$3,172, or 13 percent of his or her annual income.³

The need for affordable child care is significant, but changes to the delicate system, even when well-intentioned, can threaten services for the most vulnerable residents. In 2012, former Mayor Michael Bloomberg redesigned the City's early childhood education system. Under this new "EarlyLearn NYC" initiative, all child care providers were required to go through a new Request for Proposal (RFP) process conducted by the City's Administration for Children's Services (ACS), causing many longtime providers to close their doors.

Starting in 2014, Mayor Bill de Blasio prioritized the initiation and rapid expansion of the Universal Pre-Kindergarten (UPK) initiative, causing turmoil in the early childhood work force that led to wage inequality between the UPK employees of the City's Department of Education (DOE) and those working for ACS child care providers. Longtime child care providers have been further challenged this year because of ever-increasing lease prices. Many child care centers located in gentrifying areas that serve low-income children face greater challenges because of rising rents in their neighborhoods. The City has failed to properly plan for this problem at the sites that it leases.

The City's EarlyLearn program and the UPK initiative have both attempted to raise the quality of care and education available for children ages zero to four. While the push towards quality and availability is necessary, these shifts have rippled through the child care system, causing a decrease in overall capacity of the subsidized child care system.



Moving forward, New York City needs to pair its push for quality programming with a focus on expanding providers' capacity. Care of the highest caliber should be available to all in need, as access to this vital resource is imperative for both the city's economic health and the well-being of working families. In order to strengthen New York City's child care system and expand opportunities for families, the Office of the Public Advocate recommends the following:

- 1. Expand the New York City Child Care Tax Credit to families making up to \$65,000. The current income cap of \$30,000 is too restrictive, and excludes many working poor and middle income families. This expansion would enable 34,500 more children to be eligible for support and lessen the financial burden of nearly 50,000 working individuals in New York City.**
- 2. Create the Mayor's Office of Early Childhood Development. The present system under ACS is overburdened and lacks the ability to plan for the growing need for affordable child care. The mission of ACS is primarily focused on protection and safety of children, and child care services do not fit neatly into this framework, especially as the emphasis of child care has shifted in recent years from fulfilling a custodial function to an educational function.**
- 3. Ensure immediate pay equity between the DOE ACS EarlyLearn Directors, Assistant Directors, Family Child Care Coordinator's and teachers. The City should begin labor negotiations with the Day Care Council, District Council 1707- Local 205 and the Council of School Supervisors and Administrators so that pay parity can be achieved between these two systems in a reasonable time frame. The recent announcement that only UPK teachers in non-profit settings will receive signing and retention bonuses is encouraging but left out Directors, Assistant Directors, Family Child Care Coordinator's. Presently, DOE UPK teachers receive a higher salary than ACS EarlyLearn Directors, Assistant Directors, Family Care Coordinator's and teachers. More work needs to be done to ensure that all qualified professionals receive compensation and benefits comparable to their DOE counterparts, rather than a one-time bonus.**
- 4. New York City must directly negotiate long-term leases with landlords to ensure that providers have a stable space from which to operate. This direct negotiation is especially crucial in neighborhoods where gentrification can make it difficult for small programs to prevail in negotiations with landlords.**
- 5. Expand and dedicate funding to child care slots for infants and toddlers. The number of slots has not increased enough to meet the demand for children ages zero to two. Most children in this age group are cared for by contracted home-based care. However, home-based seats for this age group have only risen slightly from 4,358 in July 2012 to 4,551 in January 2014.**



INTRODUCTION

In New York City, there are approximately 556,000 children between zero and four years of age.⁴ Fifty-two percent, or about 290,000 children, live below 200 percent of the federal poverty line (FPL) and qualify for child care subsidies.⁵ However, the ACS's EarlyLearn and federal Head Start programs only serve about one-quarter of eligible children. Without subsidized care, low- and middle-income families face prohibitively expensive child care costs: in New York City, the average annual cost of care is \$16,250 for children under two years of age and \$11,650 for children ages three to five (excluding special needs care and in-home care).⁶

Despite the great need for subsidized care, government funding has failed to keep up with the actual cost of child care. Federal and state funding for child care was stagnant between 1999 and 2013,⁷ and the City's adopted 2016 budget contained \$8 million less for child care services than the 2015 budget.⁸ The scarcity of funds means that agencies and providers are left to cobble together a child care system as best as they are able, relying on a patchwork of federal, state, and local dollars, all of which come with their own requirements. This patchwork has created a fragile and fluid ecosystem in which agencies, providers, educators, and families vie for resources.

This fragile ecosystem is still processing both the Bloomberg administration's EarlyLearn program and the de Blasio administration's UPK creation and rapid expansion. Both of these initiatives had the laudable goal of elevating the quality of care and education for New York City's youngest residents, but the changes from both of these projects have had destabilizing effects on traditional providers. Recently, the de Blasio administration announced several modifications to the EarlyLearn program: staff are promised a 2.5 percent Cost-of-Living Adjustment (COLA), families with children who are enrolled part-time in child care services will see a slight decrease in their fees, and providers will be subject to a less rigid funding structure.⁹ While these changes are encouraging, decisive action is necessary to both stabilize the contract-based child care system and ensure that families have access to affordable child care.



THE EXISTING LANDSCAPE OF SUBSIDIZED CHILD CARE OPTIONS

There are three primary modes by which income-eligible families can offset the cost of child care in New York City: 1) through participation in EarlyLearn, which has a sliding scale fee schedule; 2) through receipt of a child care voucher; and 3) through City tax credits (Figure 1).

Figure 1: The Landscape of Subsidized Child Care Options in NYC

	EarlyLearn System in NYC				
	Center-Based Child Care	Family Child Care	Head Start	UPK	
Description	Directly funded by ACS, provided by certified teachers at centers licensed by the NYC Department of Health and Mental Hygiene. (DOHMH).	Directly funded by ACS, provided in private homes that are licensed by DOHMH. Caregivers have less educational requirements than center-based staff.	Federally funded program that began in 1965. Targets very low-income families and provides wrap-around services.	Initiative launched in 2014 that provides free pre-K for the length of the school day.	
Total Capacity	35,256 (as of Feb. 2015)*				
Age Eligibility	6 weeks - 12 years	6 weeks - 4 years	3 - 4 years	4 years	
Income Eligibility	Families below 275 - 225% of the FPL. Sliding scale fees.	Families below 275 - 225% of the FPL. Sliding scale fees.	Families below the FPL. If space remains, some slots can be filled with families below 130% of the FPL or who meet other criteria.	All children eligible, regardless of income. If children qualify for subsidized care, part-time sliding scale fee applicable for afternoon.	
	Vouchers		Tax Credits		
	Mandated	Non-Mandated	Federal	State	City
Description	Can be used for center-based care, family child care, or informal care.	Can be used for center-based care, family child care, or informal care.	Established in 1976 to provide tax relief to families.	Established in 1977 to provide tax relief to families.	Established in 1976 to provide tax relief to families.
Usage	56,170 (as of June 2015)*	12,566 (as of June 2015)*	218,058 (as of 2010)**	206,885 (as of 2011)**	23,067 (as of 2012)***
Age Eligibility	6 weeks - 12 years	6 weeks - 12 years	0 - 12 years	0 - 12 years	0 - 3 years
Income Eligibility	Families receiving public assistance or who have recently transitioned off of public assistance.	Families below 275 % of the FPL.	None.	None.	Below \$30,000.

*Data provided by the ACS

** Data provided from Independent Budget Office

***Data provided from NYC Department of Finance



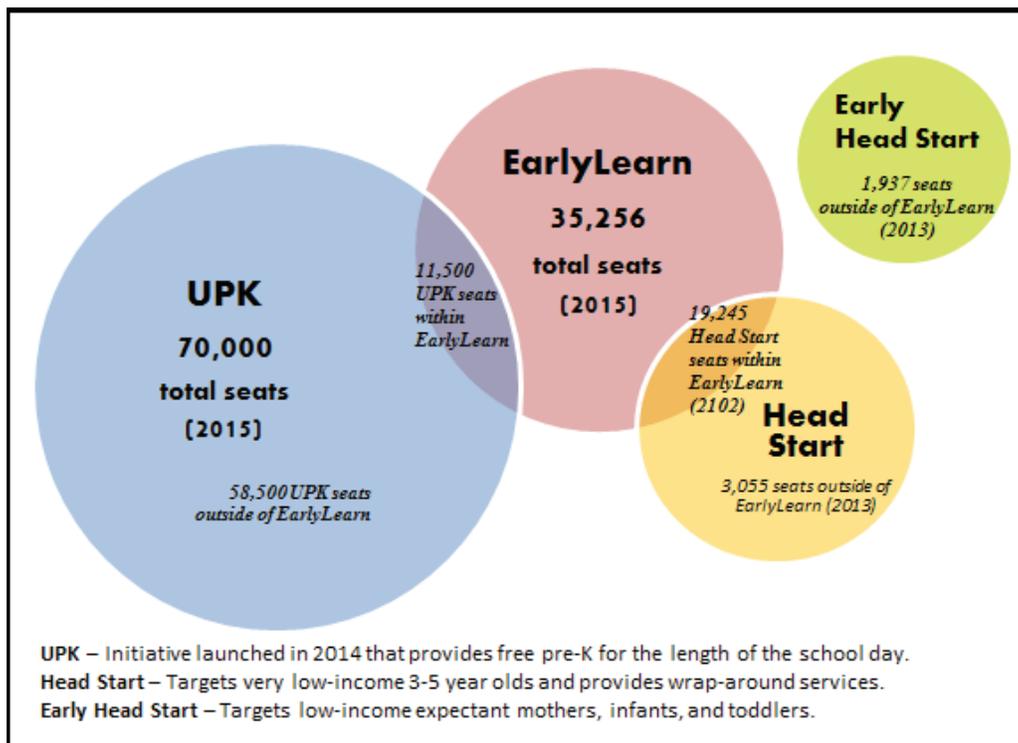
1. EarlyLearn NYC

In 2012, the City launched a four-year \$486 million EarlyLearn initiative, funded by federal, state, and City tax dollars. The City requires programs receiving funds to utilize a standard curriculum and to provide services for eight to ten hours per day, twelve months per year. In addition to providing child care and educational programming, EarlyLearn mandates that children undergo developmental and mental health testing within 45 days of beginning care. Providers must track the child’s progress, provide family support services, and transition babies and toddlers to connected center-based services when they turn three years old.¹⁰

EarlyLearn encompasses several different models of care (Figure 2). These models include center-based child care, family child care, Head Start programs, and UPK. While EarlyLearn includes these different components, it is important to note that some Head Start seats, UPK seats, and child care seats exist outside of the EarlyLearn framework.

Informal child care, which is outside of EarlyLearn framework, is comprised of individuals providing child care to less than three non-related children who are not required to be licensed with DOHMH.

Figure 2: The Intersection of EarlyLearn with Head Start and UPK¹¹



Sources: UPK data from DOE; EarlyLearn and HeadStart data from ACS



2. Vouchers

Vouchers are a form of subsidy that covers the cost of care for families on public assistance and for a limited number of low-income families with incomes below 275 percent of the FPL. The federal government mandates that families on or recently transitioning off of, public assistance receive vouchers, and the majority of vouchers distributed in New York fall in this mandated category. Remaining funds are allocated to low-income families in the form of non-mandated vouchers. Both mandated and non-mandated voucher recipients can choose to use either the EarlyLearn system or for informal child care.

Three quarters of the eligible families are left without access to affordable child care in New York City.

As of February 2015, there were 35,256 EarlyLearn seats in New York City - only one available seat for every eight children who qualify for the program.¹² Even accounting for the 36,900 vouchers that are used for children ages zero to four¹³ and the 5,000 Head Start seats outside of EarlyLearn,¹⁴ only about 76,300 eligible children are served in New York City.¹⁵ Three quarters of the eligible families are left without access to affordable child care in New York City.

3. NYC Child Care and Dependent Tax Credit (CCTC)

Tax credits are another mode of subsidy available to families with child care needs. The New York City credit further reduces the tax liability for low-income families already receiving state and federal child care tax credits. Administered by the Department of Consumer Affairs (DCA) and the Office of Financial Empowerment (OFE), the total cost of the City credit was \$10.9 million in 2012.¹⁶ A key feature of the tax credit, which distinguishes it from the voucher system, is that the credit may only be applied toward “qualified” child care, and cannot be used for care provided by the child’s parent or any other family member.

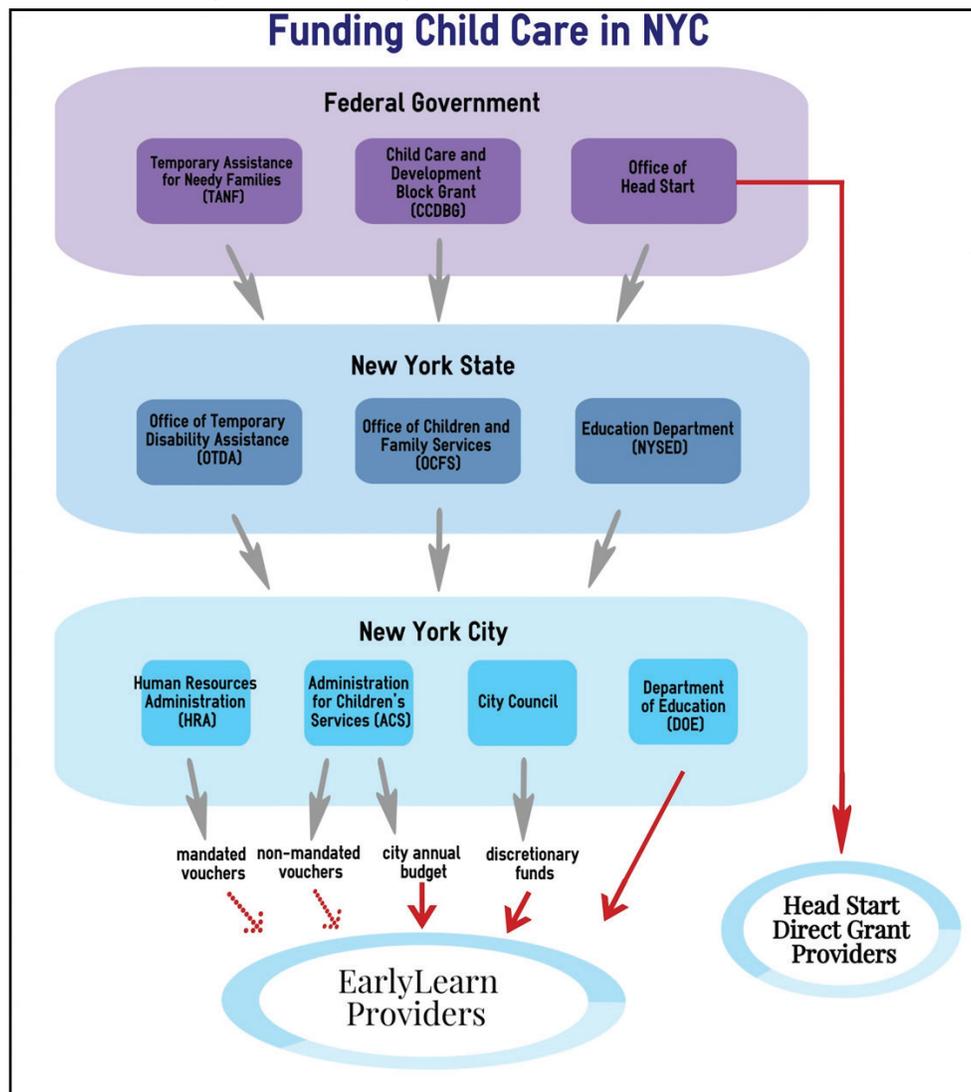


CHALLENGES ASSOCIATED WITH CHILD CARE

Structural Challenges

As noted earlier, the current system for funding child care services is fragmented and difficult to navigate: New York is forced to patch together a variety of funding sources to keep its child care system afloat, but the funding streams each come with their own requirements. The funds are then administered by several agencies on the City level, creating even more fragmentation. The chart below (Figure 3) shows how dollars make their way from Washington D.C. to Albany to New York City and then down to providers and families.

Figure 3: Funding Stream of Child Care in NYC





This system, with its multiple tiers of regulations, poses challenges for families and providers. The EarlyLearn system has reduced provider capacity, as discussed in detail below, and has forced some child care centers to close. These closures mean that some families have difficulty finding a seat for their child.

Presently, the complex patchwork of child care services is primarily managed by ACS, which creates further challenges. Pursuant to its mission statement, ACS is responsible for “protect[ing] and promot[ing] the safety and well-being of New York City’s children, young people, families, and communities by providing excellent child welfare, juvenile justice, and early care and education services.”¹⁷ Yet these very divergent concerns limit the agency’s ability to provide the appropriate resources to manage the City’s already complicated child care system. Currently, two-thirds of the ACS budget is dedicated to running the foster care system, the juvenile justice system, and the child welfare system.

Challenges for Providers

Providers must coordinate between various levels of government and navigate layers of regulations in order to deliver care. In addition to the ongoing challenges posed by this coordination, EarlyLearn tightened the budgets of providers. Finally, many face uncertainty as rising rents threaten their future and staff leave for higher paying jobs.

Funding Structure

While EarlyLearn has been lauded for its focus on quality child care, New York’s providers have seen their capacity drop 28 percent in three years. There are only 35,256 EarlyLearn slots in 2015, as compared to total of 48,971 seats in 2012 (the year before EarlyLearn was implemented).¹⁸

Part of the reduction occurred at the launch of EarlyLearn, when many longtime providers were not given contracts.¹⁹ Seats have continued to dwindle since EarlyLearn’s inception because the program’s funding structure has placed enormous pressure on providers’ budgets. Under the Bloomberg administration and at the beginning of the de Blasio administration, providers were required to match 6.7 percent of EarlyLearn funds, and reimbursement was based on enrollment. Providers needed to fund their own insurance and finance any fixed costs including capital repairs and maintenance all from the flat reimbursement rate that was based on enrollment.²⁰

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2012 and 2015.***



In June 2015, Mayor de Blasio outlined changes to reduce the provider contribution rate and to increase the reimbursement for fixed costs.²¹ While these reforms to EarlyLearn are a step in the right direction, questions remain about how these changes will be implemented. ACS is working with the Mayor's Office of Management and Budget (OMB) to determine whether the new funding structure will include administrative overhead funding for insurance for workers and the facility;²² however, it is unclear when these changes will take place and to what extent they will modify the existing structure.

Clarity on this front is imperative, as agencies struggle with the status quo, and capacity continues to drop. According to a recent report from the Citizens' Committee for Children of New York, 83 percent of surveyed child care providers struggle with the City's reimbursement rate for the EarlyLearn program's operating budget, and 40 percent operate on a deficit.²³ In 2013, ACS provided data to the Center for New York City Affairs, which found similar results: fewer neighborhood-based organizations are participating in City-contracted care today, compared to two years ago. Small providers have especially suffered under the EarlyLearn funding structure, as it is harder for them to absorb financial shocks. Between 2012 and 2014, the number of programs with just one city-funded site dropped by more than 60 percent.²⁴

Leases

Space is perennially at a premium in New York City, and the high cost of space has forced some providers to close. EarlyLearn programs operate in spaces that the City leases from private landlords, as the City tries to ensure the child care services exist in the neighborhoods needed. As real estate values increase throughout New York, however, these programs have been at risk of closure despite having contracts with ACS for child care.

According to a document provided by ACS, eight EarlyLearn child care providers' lease faced expiration between May 2015 and September 2015, with a potential of losing 821 child care seats.²⁵ Bushwick United Early Learning Center and Small World Day Care, both of which serve low-income families in Bushwick and Williamsburg, were forced to close. Nuestros Niños Day Care Center in Williamsburg has provided services to the community for over 40 years, but faced closure in 2015 when its City-held lease expired. After outcry from community members, providers, and elected officials, the City negotiated Nuestros Niños Day Care Center's lease until January of 2016 and hopes to secure a longer term arrangement. Public Advocate James held a press conference in May 2015 calling on ACS to develop a plan to save hundreds of City-funded EarlyLearn child care seats that have closed or are at risk of closing because of expiring leases.

Unfortunately, with no plan in place, another 20 child care providers with leases expiring sometime between October 2015 and October 2017 will be in danger of losing another 2,111 child care seats,



potentially decreasing the City's overall child care capacity by 2,932. Without a plan to ensure the survival of child care centers in a city with skyrocketing rents, capacity will continue to be threatened, and child care seats for the neediest families will continue to be lost.

Pay Disparities: The Impact of UPK on Child Care Providers' Sustainability

Professionals, including but not limited to Directors, Assistant Directors, Family Child Care Coordinator's and teachers are facing pay equity issue. These professionals work with children between zero and four years of age receive vastly different salaries, depending on the setting in which they work and on the age of the children with whom they work. These pay disparities represent another threat to providers' sustainability and create a troublesome hierarchy in which the teachers who work with the youngest and poorest children are paid the least.

The recent UPK expansion, while laudable in its vision to provide free preschool for all four year-olds, bolstered this hierarchy by disrupting the child care labor market. UPK is an educational initiative under the DOE's purview rather than a child care program under the direction of ACS. However, there is overlap between the UPK and EarlyLearn populations as both programs serve four-year-olds. The UPK seats are housed in three different settings: DOE public schools, DOE Community Based Organizations (CBOs) and ACS EarlyLearn centers. The DOE anticipates that there will be approximately 70,000 total UPK seats for the 2015/2016 school year, 11,500 of which will be located in ACS EarlyLearn settings.²⁶

The recent UPK expansion, while laudable in its vision to provide free pre-school for all four year-olds, bolstered this hierarchy by disrupting the child care labor market.

There is also significant overlap in the job qualifications to work for an ACS UPK provider and in a DOE UPK setting, and this overlap creates competition for qualified staff. Teachers in both ACS settings and DOE settings must either have or be working towards identical state certifications in Early Childhood Education. However, the new UPK positions created by the DOE offer better benefits, summer vacations, and substantially higher pay compared to the UPK teaching positions in ACS's EarlyLearn child care facilities. To further complicate matters, there is a disparity not only between UPK teachers in DOE settings and in ACS settings, but also among teachers within ACS settings depending on what age group of children they work with (Figure 4).



Figure 4: Salary Disparities amongst Early Childhood Professionals

Contracts	Education Level and Years of Experience					
	BA	BA + 10 years	BA + 20 years	MA	MA + 10 years	MA + 20 years
ACS (non-UPK EarlyLearn)	\$36,542	\$40,565	\$41,265	\$39,350	\$41,550	\$42,350
ACS (UPK EarlyLearn)	\$44,000	\$44,000	\$44,000	\$50,000	\$50,000	\$50,000
DOE (UPK)	\$48,445	\$68,444	\$85,089	\$54,458	\$74,457	\$91,102

Sources: UFT, 2014 Contract: Salary Schedules for Proposed 2009-2018 Contract; Teacher Salary Schedule 9/1/2014; DC1707, Local 205 and Local 95 Member Contracts.

Given these disparities, experienced early childhood professionals have a clear incentive to leave the EarlyLearn system for UPK classrooms in DOE settings. This incentive structure creates unnecessary competition between EarlyLearn providers and the DOE, as both vie for an experienced teaching corps. Within ACS CBOs, the disparity creates tension for UPK teachers and other workers.

The Office of the Public Advocate met with providers on several occasions, and they voiced concern that this imbalance drains them of their high-quality teachers and leads to high levels of staff turnover. This turnover diminishes sustainability by raising administrative costs and forces providers to spend time hiring and training new teachers. It also negatively affects the quality of childcare. In the “Head Start Community Assessment 2013,” ACS underlines the importance of consistency for children, stating, “Healthy early development depends on nurturing and dependable relationships.” Pay disparities and the resulting turnover mean that vulnerable children have fewer opportunities to sustain the “dependable relationships”²⁷ so important to their development.

Finally, this pay disparity among teachers creates a systemic inequity in which New York’s poorest preschoolers are left with the lowest paid teachers. UPK is open to all New Yorkers, but only low-income children qualify for the slots in the EarlyLearn setting. Low-income parents may choose the EarlyLearn slots over the DOE settings because EarlyLearn has the convenience of subsidized care after the six-hour UPK school day is over, whereas DOE locations require

Pay disparities threaten providers’ capacity and create a troublesome hierarchy in which the teachers who work with the youngest and poorest children are paid the least.



additional care arrangements at the end of the school day and during school vacations. Given the recent focus on the importance of high quality early childhood education on long-term life outcomes, the pay disparity presents not only a challenge for providers, but also for the youngest and poorest New Yorkers.

The City has taken encouraging steps towards achieving pay parity, but progress still needs to be made. On June 9, 2015, Mayor de Blasio announced that EarlyLearn staff would receive a 2.5 percent COLA,²⁸ and in July, the Mayor announced that UPK teachers in EarlyLearn settings would receive a \$2,500 signing bonus and a \$3,500 retention bonus. While these are promising announcements, they still do not close the gap between DOE teachers and their counterparts in the EarlyLearn system; this gap grows from 9 percent for starting teachers to 82 percent for more experienced teachers.

Challenges for Families

As providers suffer from reduced capacity, working families looking for affordable childcare are forced to pay the cost: New York City does not have enough affordable child care options, and many of the existing options stretch the budget of those who use them. Thus, the challenge for families is two-fold: subsidized care is neither sufficiently accessible nor affordable.

Accessibility: Too Many Obstacles to Obtaining Care

Infants & Toddlers

Quality child care is an important component to help families stabilize and thrive, especially those who are returning to work after having a child. Research shows that babies' and toddlers' brains develop at a rapid rate and require high-quality care with a low staff to child ratio.²⁹ There are about 93,360 children ages zero to two in New York City; yet, the gap between the need for care and the availability of subsidized services is particularly acute for infants and toddlers. A report issued by the Campaign for Children found that unmet childcare needs are most dire in Queens and Staten Island: only nine percent of eligible infants and eligible toddlers can be served in Queens and only six percent in Staten Island. The Bronx and Manhattan still can only serve about 20 percent of the eligible infants and toddlers.³⁰

Center-based child care seats that are subsidized are especially at a premium for this age group. Even though ACS sought to increase center-based capacity, there are only 2,188 seats for this age group within EarlyLearn program as of January 2014.³¹ The majority of care, especially for infants, continues to be provided through family child care in home-based settings.



However, family child care seats for this age group have only risen slightly from 4,358 in July 2012 to 4,551 in January 2014.³²

ACS currently has contracts with 28 family child care networks.³³ While many of these network's home-based providers are sensitive to the cultural mores of the community they serve, they are not subject to extensive educational requirements. As a result, the quality of home-based care varies from place to place. EarlyLearn sought to professionalize this portion of the child care system, requiring that care not be just custodial, but also educational. However, the project suffers from a lack of resources, and these new expectations that require curriculum and programmatic changes have caused many home-based care providers to struggle.

Uneven Voucher Distribution

The current pattern of non-mandated voucher distribution leaves many families without access to this type of subsidy. Non-mandated vouchers are the most flexible type of subsidy as they allow families to receive child care services without incurring a cost and can be used for informal child care. However, with 290,000 children living below 200 percent of the FPL but only 12,566 non-mandated vouchers available in 2015, these vouchers are a scarce resource for low-income working families.³⁴ According to a report released by the Center for New York City Affairs, "nearly 50 percent of the low-income vouchers were used in just two Brooklyn neighborhoods" - Borough Park and Williamsburg as of the beginning of 2014.³⁵ These two neighborhoods have a high need for affordable care; however, voucher distribution must increase and be more evenly distributed so that communities around the city have access to affordable care.

Restrictive Eligibility Criteria

Too few seats make subsidized child care inaccessible for some New Yorkers, and restrictive eligibility criteria further limit accessibility. In addition to income eligibility criteria, ACS requires that EarlyLearn parents have one of the following "valid reasons for care"³⁶

1. Employment
2. Vocational Training, Education, or Rehabilitation
3. Homelessness/Domestic Violence
4. Preventive/Protective Services
5. Employed Foster Care

Notably, pursuing a General Education Development (GED), bachelor's degree or a master's degree is not part of the eligibility criteria currently. The City should facilitate parents to pursue education, as it can be a vehicle for upward mobility. Also of note, homeless parents must work at least 20 hours a week in order for their children to be eligible for care. These reasons for care are



too restrictive and create unnecessary barriers for families in need of child care.

Affordability: Existing Options are Too Costly

Fees

Existing child care subsidies do not do enough to offset the cost of care for low-income working families. Families without vouchers must rely on EarlyLearn’s sliding scale fee schedule, and while these fees are lower than the cost of private care, they still represent a significant portion of a family’s budget. Fees are based on a family’s income, ranging from \$15 to \$239 per week.³⁷

A single parent with one child (family size of two) earning \$20,000 per year pays \$27 per week. This weekly fee adds up to \$1,404 over the course of the year, or seven percent of the annual household income (Figure 4). If the parent’s income increases 25 percent, from \$20,000 to \$25,000, the child care fee more than doubles to \$61 per week (Figure 5). This increased weekly fee adds up to \$3,172 over the course of the year or 13 percent of the annual household income (Figure 6).

Figure 5: Annual fee for Full Time Child Care

Family income	Annual Fee for Full Time Child Care (% of childcare cost per household income)		
	Family Size 2	Family Size 3	Family Size 4
\$20,000	\$1,404 (7%)	\$780 (4%)	\$780 (4%)
\$25,000	\$3,172 (13%)	\$1,716 (7%)	\$780 (3%)
\$30,000	\$4,888 (16%)	\$3,432 (11%)	\$1,976 (7%)
\$35,000	\$5,928 (17%)	\$5,200 (15%)	\$3,744 (11%)
\$40,000	\$6,760 (17%)	\$6,708 (17%)	\$5,512 (14%)
\$45,000		\$7,644 (17%)	\$7,228 (16%)
\$50,000			\$8,476 (17%)

Source: Calculations based on ACS’s 2015 monthly fee schedule.



Figure 6: Change in Child Care Fee with Income Increase

Increase in family income (% increase)	Change in Child Care Fee with Income Increase		
	Family Size 2	Family Size 3	Family Size 4
20k to 25k (25%)	126%	120%	0%
25k to 30k (20%)	54%	100%	153%
30k to 35k (17%)	21%	52%	89%
35k to 40k (14%)	14%	29%	47%
40k to 45k (13%)		14%	31%
45k to 50k (11%)			17%

Source: Calculations based on ACS's 2015 monthly fee schedule.

These fees, though subsidized, are still too high for low-income families who must stretch slim budgets to cover the costs of rent, transportation, food, and other numerous expenses. The fee structure is also unnecessarily punitive: as families' incomes increase slightly they must pay a larger portion of their income towards child care. While this structure allows families that are better off to subsidize the poorest families, the increases are too steep and may disincentivize participation in the labor force.

Mayor de Blasio announced on June 9, 2015 that part-time fees would be reduced from 75 percent of the full-time fee to 61 percent of the full-time fee. This reduction reaches 5,400 families. The Mayor's change acknowledges that current fees may be prohibitive for some families, but it does not provide relief for the thousands of families participating in full-time care.

Subsidized child care fee structure is also unnecessarily punitive: the increases are too steep and may disincentivize participation in the labor force.

Tax Credits

Tax credits provide families with some relief, but the eligibility criteria for the New York City tax credit is particularly restrictive - leaving many families unable to claim their childcare expenses on their city taxes. Only families that make less than \$30,000 per year qualify for the City tax credit and only for expenses for children up to three years of age. Meanwhile, for the federal and state credit, there is no income cap and expenses are covered for children up to twelve years of age.

A key feature of the tax credit is that it may only be applied toward "qualified" childcare, and cannot be used for family, the child's parent, or any other dependent providing care. The restriction on



“qualified” child care necessitates that the provider produce “supporting records/documentation for reported expenses.”³⁸ Small neighborhood facilities may fulfill the criteria for qualified care, but they do not always have the technical capacity to submit the necessary paperwork to prove their qualification. The result is that families seeking relief from the cost of child care face yet another barrier because they cannot claim the cost of care on their tax returns.

RECOMMENDATIONS

The Office of the Public Advocate makes the following recommendations to improve the affordability, capacity, and accessibility of New York City’s existing child care framework:

Affordability

- **New York State must create a new, more appropriate fee scale for parents.** Federal law mandates a family contribution, but the current fees are too high: presently, the annual fee for a single parent earning \$25,000 with one child is over \$3,000. According to the Independent Budget Office (IBO), ACS collected \$33 million in parent fees during fiscal year 2014,³⁹ and while this amount is not negligible, a significant portion could be absorbed by the City or State government. In addition to the part-time fees, reducing full-time fees would be beneficial to both providers and families, as it would boost enrollment and provide critical relief for poor families.
- **Expand the New York City Child Care Tax Credit to families making up to \$65,000.** The current income cap of \$30,000 is too restrictive, and excludes many of the working poor and middle-income families. The credit should be modified so that families with incomes up to \$43,000 receive 75 percent of the federal credit, with a phase out from \$43,000 to \$65,000. IBO estimates that this modification would bring the total cost of the tax credit to \$22.4 million and would increase the number of eligible children from 28,700 to 63,200.⁴⁰

Accountability

- **Ensure immediate pay equity between the DOE ACS EarlyLearn Directors, Assistant Directors, Family Child Care Coordinator’s and teachers.** The City should begin labor negotiations with the Day Care Council, District Council 1707-Local 205 and the Council of School Supervisors and Administrators so that pay parity can be achieved between these two systems in a reasonable time frame. The recent announcement that only UPK teachers in non-profit settings will receive signing and retention bonuses is encouraging but left out Directors, Assistant Directors, Family Child Care Coordinator’s. Presently, DOE UPK teachers receive a higher sala-



ry then ACS EarlyLearn Directors, Assistant Directors, Family Care Coordinator's and teacher's. More work needs to be done to ensure that all qualified professionals receive compensation and benefits comparable to their DOE counterparts, rather than a one-time bonus.

- **Create the Mayor's Office of Early Childhood Development.** The present system under ACS is overburdened and lacks the ability to plan for the growing need for affordable child care. The mission of ACS is primarily focused on protection and safety of children, and child care services do not fit neatly into this framework, especially as the emphasis of child care has shifted in recent years from fulfilling a custodial function to an educational function.
- **New York City must directly negotiate long-term leases with landlords to ensure that providers have a stable space from which to operate.** This direct negotiation is especially crucial in neighborhoods where the pressure of gentrification can make it difficult for small programs to prevail in negotiations with landlords.

Accessibility

- **Expand and dedicate funding to child care slots for infants and toddlers.** The number of slots has not increased significantly to meet the demand for children ages zero to two. Most children in this age group are cared for in contracted home-based care, and only 4,551 children are being served under this setting as of January 2014.
- **Expand the eligibility criteria for EarlyLearn.** Modify EarlyLearn's reasons for care to allow low-income parents pursuing their GED, bachelor's or master's degrees to access subsidized child care services. Allow homeless children whose parents are unemployed to access subsidized child care services.
- **Ensure that non-mandated vouchers are available to help all working families.** ACS should target high need zip codes for priority distribution.
- **Add UPK seats in EarlyLearn settings.** UPK in EarlyLearn settings provides wraparound care for eight to ten hours per day. By contrast, parents who place their preschool age children in DOE settings must arrange care once the school day is over. Low-income children can benefit from the educational enrichment provided by UPK, and their parents can benefit from affordable full-child care.



CONCLUSION

Providing subsidized child care to low and middle-income families is an ongoing challenge for the City of New York. The City's child care system under the auspices of the Administration for Children's Services is cumbersome and requires various funding streams to keep it afloat. Many child care programs are subjected to local, state and federal funding regulations whose missions may differ. These conflicting regulations have created obstacles for providers and are at odds with the goal of providing families with quality care and support. In order to meet the overwhelming demand for care, New York City must re-examine its options and methods of service delivery.

Child care isn't only for children - it takes care of the whole family and gives many New Yorkers the opportunity to break from the cycle of poverty. The City's child care system provides this vital resource for some, but it leaves other working families without access to affordable care and often fails to support longtime providers. While filling these gaps requires foresight and coordination, the success and well-being of New York City's working families depend on these changes.



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