

Testimony
Joint Legislative Budget Hearing
Human Services
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Presented by:
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Overview

Thank you to the chairs and members of the respective committees for the opportunity to submit testimony on the 2025-26 New York State Budget.

My name is Pete Nabozny, and I am the Director of Policy for The Children's Agenda in Rochester, NY. We are a children's policy and advocacy organization focused on improving the well-being of children prenatally through young adulthood. Through analysis, advocacy, and collaboration with partners locally and statewide, we support policy changes that address the serious challenges facing children and families.

The Children's Agenda is also an active member of the Empire State Campaign for Child Care, a statewide effort to ensure that all families throughout New York State have access to high quality care. I serve on the steering and executive committees of the Empire State Campaign for Child Care and help co-lead the campaign's legislative workgroup.

The Children's Agenda fully endorses the Empire State Campaign for Child Care's 2025 legislative priorities¹ and we urge the Assembly and Senate to adopt these priorities in their one-house budget bills.

Specifically, we endorse the following campaign priorities

- Provide sustained and reliable compensation and benefits to all members of the child care workforce (\$1.2 billion).
- Ensure all New Yorkers can access child care, starting with guaranteeing child care assistance (CCAP) to eligible low-income New Yorkers (\$400 million)
- Help eliminate barriers to accessing child care for children with developmental delays and disabilities (\$5 million)

¹ See the campaign's 2025 priorities - <https://empirestatechildcare.org/wp-content/uploads/2025/01/ESCCC-Top-Priorities-January-2025-1.22.25.pdf>

Our testimony is in support of those legislative priorities. I will attempt to explain why the legislature should adopt these recommendations and significantly increase its investment in child care in the 2025-26 state budget.

Background

Child care is an essential support for families with young children. A trusted child care provider helps ensure that children get off to the best possible start to life, providing care to children while their parents work or pursue an education. High quality child care helps families achieve economic security and provides a nurturing environment for children to explore, play, and learn.

Unfortunately, for too many families in New York State, child care is instead a constant challenge to manage. Many families simply cannot find a care setting that meets their needs, or they face long waitlists for the program near their home or work. Because of systemic issues with New York's approach to child care, the existing care options are inadequate to meet the needs of our state's families and children. Parents can't afford to pay more for child care, but providers can't afford to charge less. This impacts both the capacity of the child care system and the quality of care that families receive. These challenges predated the COVID-19 pandemic which descended upon New York in 2020, but the pandemic threatened to devastate this already fragile system.

To respond to the unprecedented challenges faced by families and the child care system from the COVID-19 pandemic, the federal government granted New York State over \$2.3 billion in additional federal funds in 2020 and 2021.

New York State leaders boldly chose to use those funds to make permanent investments in child care over the past several years. Over the past several budget cycles, the legislature and Governor Hochul agreed upon a number of policy reforms and budgetary investments that have dramatically improved the child care system in New York State. Of note:

- Statewide eligibility for enrollment in the child care assistance program rose from 200% of the Federal Poverty Level in 2021 to 85% of State Median Income in 2023. Eligibility for a family of 4 has risen from \$53,000 to nearly \$109,000 across the state in the past several years.
- Co-payments for a family of 4 making \$50,000 a year enrolled in the Child Care Assistance Program decreased from \$5,000 a year in 2021 to \$200 today
- Child care assistance program reimbursement rates have risen from the 69th percentile of the market rate to the 80th percentile of the market rate. Reimbursement rates for many providers have risen by nearly 50% over the past five years.

- Child care providers can now receive reimbursement for up to 80 child absences per year, providing them with more predictable revenue each month.
- The Office of Children and Family Services administered workforce compensation program grants in 2023 and 2024 that stabilized child care sector employment and began to recognize, financially, the critical role early care educators play in supporting healthy child development and our state's broader economic development.

These policy reforms have been accompanied by an effort to standardize the child care assistance program application process and make it easier for families to apply for and access child care assistance.

And yet, these successful policy initiatives are under great threat unless this year's state budget agreement includes investments to sustain and build upon the progress New York has made. These threats take two main forms.

Threat 1 – Inadequate Workforce and Provider Capacity

A recent report from the New York State Comptroller's office² confirmed what parents, providers, and employers have experienced for years – that while overall child care system capacity has recovered to pre-pandemic levels, a number of lingering challenges remain, especially workforce capacity.

While overall child care employment statewide rebounded in 2023 to exceed 2019 levels, many parts of the state are still below pre-pandemic child care employment levels. Employment is still down by more than 10% in the Capital Region and the Mohawk Valley compared to 2019 levels, and the number of child care jobs is below 2019 levels in 7 of the state's 10 labor regions.

Labor Region	2019	2023	Change	% Change
Capital Region	4,194	3,587	(607)	-14.5%
Central New York	2,146	1,952	(194)	-9.0%
Finger Lakes	3,624	3,560	(64)	-1.8%
Hudson Valley	9,044	9,386	342	3.8%
Long Island	11,323	12,018	695	6.1%
Mohawk Valley	1,077	954	(123)	-11.4%
New York City	36,807	39,659	2,852	7.7%
North Country	983	950	(33)	-3.4%
Southern Tier	1,851	1,747	(104)	-5.6%
Western New York	4,515	4,677	162	3.6%

² See <https://www.osc.ny.gov/files/reports/pdf/child-care-challenges.pdf>

This modest recovery was aided by a federally funded workforce compensation program managed by the Office of Children and Family Services during the past two years.

These workforce bonuses were desperately needed by the child care sector, which always struggles to recruit and retain staff thanks to a business and funding model that cannot afford to pay much more than minimum wage. Across the state, child care workers are paid less than 97% of other jobs. Wages are so low because public investment in child care has traditionally been inadequate and because parents can only afford to spend so much on child care. A permanent version of this workforce compensation program would allow wages to rise without passing on high prices to resource-constrained parents of young children.

Indeed, the Child Care Availability Task Force, which was tasked by the Governor with establishing a roadmap for New York State to achieve universally available child care, identified the establishment of “a permanent workforce compensation fund aimed at increasing wages for all members of the child care workforce and indexed to cost of living, to recruit and retain educators and staff” as its top recommendation.³

Unfortunately, Governor Hochul’s executive budget does not include any proposal to use state funds to establish a permanent workforce compensation program. This is a missed opportunity for an administration that has rightly prided itself on strengthening the child care system over the past several years.

Both the Assembly and the Senate should propose a **sustained workforce compensation program of \$1.2 billion** this year, and the final adopted budget should include that proposal. Doing so would allow child care wages to rise by up to \$12,500 per year, making child care a more competitive career option for countless early childhood educators. A permanent child care workforce compensation program would allow New York to grow and transform the state’s child care system into something that ensures that all of New York’s children can get off to the best possible start to life.

Threat 2 – Inadequate Child Care Assistance Program Funding

The legislature and Governor’s commitment to expanding child care availability in New York State has resulted in the highest number of children enrolled in the Child Care Assistance Program in a decade. In many parts of the state, the number enrolled today exceeds the number receiving child care assistance at any point in the last 14 years. The Governor and legislature’s decision to invest record levels of state funds to support eligibility expansions within the Child Care Assistance

³ See <https://ocfs.ny.gov/programs/childcare/availability/CCATF-UCC-Roadmap.pdf>

Program reversed a decade-long decline in the program and is helping tens of thousands of families in every corner of the state that would otherwise be struggling to make ends meet each day.

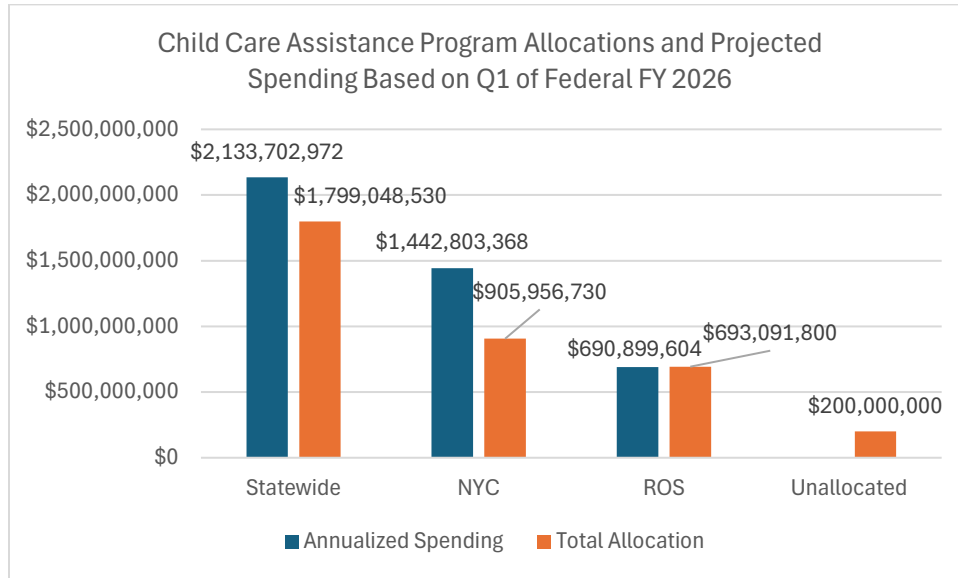
Year	Rest of State	New York City	Total Statewide Average Monthly Enrollment	Statewide Change from Prior Year
2011	49,878	86,773	136,651	N/A
2012	46,997	86,813	133,811	-2%
2013	45,257	85,625	130,882	-2%
2014	44,060	83,330	127,390	-3%
2015	43,481	82,437	125,918	-1%
2016	42,972	81,584	124,555	-1%
2017	40,703	79,472	120,175	-4%
2018	39,933	76,691	116,624	-3%
2019	37,875	67,515	105,390	-10%
2020	28,315	53,551	81,865	-22%
2021	25,582	38,887	64,469	-21%
2022	29,355	40,562	69,917	8%
2023	40,695	55,506	96,201	38%
2024	49,618	76,993	126,611	32%

This swelling enrollment, combined with the recent provider reimbursement rate increase, is causing Child Care Assistance Program spending to increase dramatically. This means that unless the 2025-26 state budget includes additional funding to meet the growing demand for assistance, countless families who qualify for assistance, submit the required paperwork, and are deemed eligible for assistance will nevertheless be turned away or placed on waiting lists in 2025.

The state's financial plan and Governor Hochul's budget anticipate spending \$1.799 billion on the state's Child Care Assistance Program in 2025-26. This funding is granted to New York City and the 57 other social service districts in New York State. Some counties choose to supplement state funding with a modest local contribution, and all counties have a small Maintenance of Effort obligation. But the primary funders of voucher-based child care in New York are the state and federal governments.

New York City is on pace to greatly exceed its 2025-26 Child Care Block Grant allocation from New York State, while the other 57 counties of New York State are

on pace to almost completely exhaust their collective allocations.⁴ It's worth reiterating that the "Rest of State" category contains 57 separate block grants, so it's likely that some counties are underspending and others are overspending their allocations.



The Office of Children and Family Services retains \$200 million in unallocated funds that it will likely grant to districts that are overspending their allocation in the next month or two. However, even if that entire unallocated balance were given to New York City, the City would still face at least a \$240 million funding gap by the end of September.

And this gap is just for the current funding period. It is likely that spending in New York City and throughout the state will continue to grow in the next fiscal year.

Of course, local governments will not just allow spending to dramatically exceed their funding from New York State. Instead, they will close enrollment, close active cases at recertification, establish waiting lists, and find other ways to reduce spending. Children who have become accustomed to particular caregivers will lose that stability, parents who rely on child care assistance to allow them to work while their children are cared for in a safe and nurturing environment will no longer have that support and will be forced to make the difficult decision of whether to leave the workforce or somehow piece together care arrangements each day and week.

In short, the progress that New York State has made over the past few years in expanding child care assistance and economic opportunity to tens of thousands of families with young children will stop.

⁴ See - <https://ocfs.ny.gov/programs/childcare/assets/docs/ccap/Child-Care-Assistance-Block-Grant-Spending.pdf>

We therefore recommend that the legislature include sufficient funding to ensure that every family who seeks and qualifies for child care assistance can receive it. **The Empire State Campaign for Child Care recommends a \$400 million increase to the Child Care Assistance Program.** That figure was developed before recent information about Child Care Assistance Program spending became public. A \$400 million increase is probably the minimum New York State needs to include in the 2025-26 budget agreement to avoid terrible disruptions to care throughout New York City and the rest of the state.

Conclusion

As noted above, New York has made great strides in improving the state's child care system over the past several years. Unfortunately, the proposed executive budget fails to build upon those successes this year and instead imperils those gains. New York State should not lose the momentum we have developed over the past two budget cycles and should instead continue to move toward a system of universal child care for all of New York's families. Doing so would help families achieve greater economic security, reduce poverty and inequality, and give children the best possible start to life.

Again, thank you for the opportunity to submit testimony to the committee. Please feel free to contact me for clarification or more information.

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