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## **Cost Analysis: Targeting Child Care Dollars to Low Wage Working Parents**

Every year the Office of Children and Family Services (OCFS) allocates the money that is in the New York State Child Care Block Grant (NYSCCBG) to local social services districts according to a formula that is based on the average level of annual child care claims for the last five years, which is then reduced if the county has unspent roll-over child care block grant funding exceeding a certain percentage from the prior years.<sup>1</sup> The allocations which go to each district are not sufficient to serve all eligible families. The decisions regarding who to serve is in part determined by the law, which guarantees child care to certain categories of families, and in part based on district option. With respect to those families who are not guaranteed child care, OCFS allows districts to prioritize the use of their remaining limited funds in the county plan which is filed with OCFS.

Three categories of families are guaranteed a child care subsidy:

- Those on public assistance;
- Those under 200% of poverty who have left public assistance in the prior year for work or because of increased child support; and
- Those who are eligible for public assistance but choose only to receive a child care subsidy.

Between 2009 and 2013, the number of children on public assistance in New York State increased by over 19,000, from 288,972 to 308,171,<sup>2</sup> while public funding for subsidies declined. As a result, the number of available slots for working families who are not on public assistance was dramatically reduced. When funds run out, it is the families who do not have a guarantee – working families with incomes under 200% of poverty who have not been on public assistance in the prior year – who are most likely to lose their subsidies. In Suffolk County nearly 2,000 children with working parents lost their subsidies when the county lowered eligibility to 100% of poverty in late 2012. Because the cost of child care often consumes a higher percentage of family income than rent or a mortgage,<sup>3</sup> most of these families were immediately thrown into financial crisis.

The system is further strained because the public cost of a subsidized child care slot, averaging \$7,200 per year, is entirely paid with public funds when the recipient of a subsidy is on public assistance.<sup>4</sup> Public assistance recipients are required to participate in work programs as a condition of receiving assistance and are guaranteed child care assistance to make it possible for the parent to work. Currently, under state statute and regulation, public assistance recipients are exempt from the work activities requirement only until their children are 3 months old.<sup>5</sup> After that, they are required to participate in work activities while their child attends fully-subsidized child care. Although there is evidence that work activities such as job search and work fare result in little or no economic gain for these families,<sup>6</sup> New York State consciously prioritizes spending its limited child care dollars to support these activities when there is not enough funding to support low income working families with real jobs.

Working families with incomes over the poverty level, on the other hand, contribute to the cost of their subsidized child care by making copayments. For a low income working family, the county pays only part of the cost of child care, not the whole cost of care as they would for a family receiving public assistance. Specifically, the working family is expected to pay a percentage of the income they earn over the poverty level toward child care. The county then pays the difference between the family share and the actual cost of care, up to the market rate established by OCFS.

As indicated in the table below, the funding that fully supports one infant slot for a working public assistance recipient with subsidized child care would actually fund three slots for working families, because the cost is shared between the government and the low income families.<sup>7</sup> In Erie County, infant care costs the county \$9,100 per year for a public assistance recipient, but a child care subsidy for a working family with a preschool aged child will cost the county only \$3,645. This means that the amount of money saved by Erie County from one public assistance family that does *not* require full-time infant care can be allocated to pay for child care subsidies for 2.5 working families in need of preschool aged care, or 2.3 working families in need of infant care. In Broome County and a multitude of other smaller and predominately rural counties, the savings from one less public assistance household in need of infant care would fund 3.7 child care subsidies for working families of preschool aged children.<sup>8</sup>

The Assembly budget bill would address this issue by shifting child care dollars that are being spent on welfare recipients in programs like job search and workfare to low income working families with real jobs. This would be done by amending §410-x of the Social Services Law to maximize and target child care subsidies to low income working families who are employed when local districts are unable to provide subsidies to all who are eligible. Specifically, the amendment would provide that when a social services district does not have sufficient funding to serve all eligible working families under 200% of poverty, the district must offer a twelve month work exemption to welfare recipients who are personally providing care for a child less than one year of age.

We estimate that this cost neutral action will make a total of \$5.38 million in child care dollars, currently being used to support child care assistance for welfare recipients, available to provide

child care subsidies to parents who are employed. In addition, we estimate an additional \$3.96 million in administrative savings through the elimination of the connected work program expenses (e.g. expense of the workfare or soft skills program). Total funds freed up would be \$9.34 million. A detailed analysis of this cost savings is attached.

Those dollars will be stretched even further because working families have copayments and welfare recipients do not. As a result, each child care slot transferred from a welfare recipient will generate 2.4 slots for a working parent. In addition, by reducing the amount of administrative time spent coordinating job search and workfare activities, local districts would see savings in administrative costs statewide.

We need to protect the jobs of low income working families! Insufficient funding for child care subsidies for the working poor undermines their ability to stay in the work force and off of welfare. This proposal to amend the social services law will free up the subsidized child care funding necessary to help maintain and expand slots for working families. It will also provide lawmakers with information that they need to make rational and fair decisions regarding the distribution of limited child care dollars.

<b>Table 1: Comparison of Public Funding of Child Care Costs for Public Assistance (PA) and Working Families: High Family Share Counties<sup>9</sup></b>					
	<b>Suffolk<sup>10</sup></b>	<b>Erie<sup>11</sup></b>	<b>Broome<sup>12</sup></b>	<b>Orange<sup>13</sup></b>	<b>NYC<sup>14</sup></b>
Annual cost: full-time infant care	\$14,300	\$9,100	\$7,800	\$10,400	\$9,100
Annual cost: full-time preschool aged care	\$13,000	\$8,840	\$7,280	\$9,880	\$7,800
For each infant of a PA family, the county pays the full cost of care.	\$14,300	\$9,100	\$7,800	\$10,400	\$9,100
Working families contribute to their child care costs by paying a % of their income above the poverty level.	30%	35%	35%	35%	35%
Annually, a working family contributes to the cost of care:	\$4,452.75	\$5,194.88	\$5,194.88	\$5,194.88	\$5,194.88
For each infant of a working family, the county pays	\$9,847.25	\$3,905.13	\$2,605.13	\$5,205.13	\$3,905.13
<b>The cost of one fully subsidized PA infant slot will purchase this many infant slots for a working family</b>	<b>1.45</b>	<b>2.33</b>	<b>2.99</b>	<b>2.00</b>	<b>2.33</b>
For each preschool child of a working family, the county pays	\$8,547.25	\$3,645.13	\$2,085.13	\$4,685.13	\$2,605.13
<b>The cost of one fully subsidized PA infant slot will purchase this many pre-school slots for a working family</b>	<b>1.67</b>	<b>2.50</b>	<b>3.74</b>	<b>2.22</b>	<b>3.49</b>

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<sup>1</sup> According to 13-OCFS-LCM-06, the allocation for SFY 2013-14 “reflects each LDSS’s proportionate share of the block grant funds based on the average level of annual child care claims for the FFY 2007-08 through FFY 2011-12. Rollover of unspent NYSCCBG funds is taken into account for those LDSSs that meet the following two criteria:

- If the LDSS’s FFY 2011-12 rollover into FFY 2012-13 is more than 15 percent of its FFY 2011-12 NYSCCBG claims; AND
- The LDSS’s FFY 2011-12 rollover amount exceeded 75 percent of its FFY 2010-11 rollover amount. For any LDSS meeting both of these criteria, the base allocation is first reduced by an amount equal to 40 percent of the rollover amount from FFY 2011-12 into FFY 2012-13 (but not to exceed the five-year-average-claim base allocation).

The statewide allocation reduction is then redistributed among LDSSs as follows. For LDSSs whose FFY 2011-12 NYSCCBG claims exceeded the sum of their SFY 2013-14 base allocations (as adjusted) and FFY 2011-12 rollover amounts, the amount of allocation reduction is redistributed on a pro-rated basis, proportionate to counties’ share of the total excess claims. The sum of each LDSS’s five-year-average-claim base allocation, allocation reduction and redistribution is its final SFY 2013-14 allocation.” 13-OCFS-LCM-06, *New York State Child Care Block Grant Subsidy Program Allocations for State Fiscal Year 2013-2014*, NYS OFFICE OF CHILDREN & FAMILY SERVICES (May 29, 2013), available at [http://www.ocfs.state.ny.us/main/policies/external/OCFS\\_2013/LCMs/13-OCFS-LCM-](http://www.ocfs.state.ny.us/main/policies/external/OCFS_2013/LCMs/13-OCFS-LCM-06%20New%20York%20State%20Child%20Care%20Block%20Grant%20Subsidy%20Program%20Allocation%20for%20State%20Fiscal%20Year%202013%20-%202014.pdf)

[06%20New%20York%20State%20Child%20Care%20Block%20Grant%20Subsidy%20Program%20Allocation%20for%20State%20Fiscal%20Year%202013%20-%202014.pdf](http://www.ocfs.state.ny.us/main/policies/external/OCFS_2013/LCMs/13-OCFS-LCM-06%20New%20York%20State%20Child%20Care%20Block%20Grant%20Subsidy%20Program%20Allocation%20for%20State%20Fiscal%20Year%202013%20-%202014.pdf) (last accessed April 4, 2014).

<sup>2</sup> Compare Office of Temporary and Disability Assistance Monthly Caseload Statistics Annual Summary from 2008 when the average number of adults on Temporary Assistance was 510,160 and the average number of children on Temporary Assistance was 288,972, *Temporary and Disability Assistance Statistics, Table A-5* (Dec. 2008), available at <http://otda.ny.gov/resources/caseload/2008/2008-12-stats.pdf> (last accessed April 4, 2014), with the Monthly Caseload Statistics Annual Summary from 2013 when the monthly caseload of adults on Temporary Assistance was 578,482 and the number of children on Temporary Assistance was 308,171, *Temporary and Disability Assistance Statistics, Table A-5* (Dec. 2013), available at <http://otda.ny.gov/resources/caseload/2013/2013-12-stats.pdf> (last accessed April 4, 2014).

<sup>3</sup> See Diana M. Pearce, *The Self-Sufficiency Standard for New York State 2010*, CENTER FOR WOMEN’S WELFARE, UNIVERSITY OF WASHINGTON SCHOOL OF SOCIAL WORK (June 2010), available at <http://www.fiscalpolicy.org/SelfSufficiencyStandardForNewYorkState2010.pdf> (last accessed April 4, 2014).

<sup>4</sup> Average cost of subsidized care per child provided by OCFS. E-mail from Janice Molnar, Office of Children and Family Services to Susan Antos, dated 10/07/13 (on file with the author) .

<sup>5</sup> N.Y. SOC. SERV. LAW § 410-w(3); 18 NYCRR § 385.2(b)(7).

<sup>6</sup> D.Greenberg, V Deitch & G. Hamilton, *Welfare to Work Program: Benefits and Costs: A Synthesis of Research*, pp. ES-4, ES-11 (MDRC, February, 2009). Available at: [http://www.mdrc.org/sites/default/files/full\\_611.pdf](http://www.mdrc.org/sites/default/files/full_611.pdf) (last accessed May 2, 2014) .

<sup>7</sup> These calculations are conservative because the average cost of a subsidy includes the costs for a fully subsidized slot of a family on public assistance and the cost of a slot of a working family that has a copayment.

<sup>8</sup> In the accompanying chart, the estimate of child care slots for working families that can be leveraged from a public assistance infant care slot was calculated by dividing the cost of one full-time infant care slot, fully paid for by the county, by the county’s share of child care costs for a working family with a child in a full-time preschool or infant care program. The market rates are separated into five distinct geographical groups and a representative county was highlighted in each of these geographical groups. The calculation was run separately for each of the five different market rate groups at two different levels—to see how many working family infant care slots can be funded from one public assistance infant slot, and how many working family preschool slots can be funded from one public assistance infant slot because the cost of care is different between different age groups. Infant care is the most expensive level of care, and preschool aged care is the most commonly used category of care. Because the number we used as the cost per slot is actually the average cost spent on public assistance and non-public assistance families, it is actually likely that each public assistance infant slot will purchase more slots than are indicated in our conservative calculations.

<sup>9</sup> Calculation conducted using market rates effective April 1, 2014 and copay percentages as of March 7, 2014. Family share and county share calculations are based on a household of three earning \$34,632.50 (175% of the 2014

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state income standard/federal poverty level in effect as of June 1, 2014). The type of child care assumed for this calculation were the weekly rate for a registered family day care in two different age categories: infant (0-1.5 years), and preschool (3-5 years).

<sup>10</sup> Suffolk County lies in market rate group 1, with other downstate sub-urban counties. Group 1 includes Nassau, Putnam, Rockland, Suffolk and Westchester Counties.

<sup>11</sup> Erie County lies in market rate group 2, with other upstate urban and more expensive rural counties. Group 2 includes Columbia, Erie, Monroe, Onondaga, Ontario, Rensselaer, Saratoga, Schenectady, Tompkins and Warren Counties.

<sup>12</sup> Broome County lies in market rate group 3, with other upstate rural and small counties. Group 3 includes a total of 38 counties: Allegany, Broome, Cattaraugus, Cayuga, Chautauqua, Chemung, Chenango, Clinton, Cortland, Delaware, Essex, Franklin, Fulton, Genesee, Greene, Hamilton, Herkimer, Jefferson, Lewis, Livingston, Madison, Montgomery, Niagara, Oneida, Orleans, Oswego, Otsego, Schoharie, Schuyler, Seneca, St. Lawrence, Steuben, Sullivan, Tioga, Washington, Wayne, Wyoming and Yates.

<sup>13</sup> Orange County lies in market rate group 4, with other upstate high cost counties. Group 4 is made up of Albany, Dutchess, Orange and Ulster Counties.

<sup>14</sup> Market rate group 5 is solely comprised of the five boroughs of New York City.