



**Testimony for the Joint Fiscal Committees  
SFY 2022-23 Executive Budget  
Economic Development Budget Hearing  
February 16, 2022**

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The Schuyler Center thanks the chairs and members of the respective committees for the opportunity to submit testimony on the 2022-23 New York State Executive Budget. The Schuyler Center is a 150-year-old statewide, nonprofit organization dedicated to policy analysis and advocacy in support of public systems that meets the needs of disenfranchised populations and people living in poverty. In 2022, the Schuyler Center celebrates the 150th anniversary of our founding by Louisa Lee Schuyler. Today, our work remains grounded in her ideals of compassion, advocacy, leadership, and partnership.

Today, we are submitting this testimony on behalf of Schuyler Center, and also in our role as a leader of the Empire State Campaign for Child Care. The Empire State Campaign, founded in 2017, counts in its membership nearly 100 organizations, along with hundreds of parents and child care providers from every corner of New York State. Every day, campaign membership is growing; more than 800 New Yorkers registered for our February 9, 2022 Child Care Day of Action, with more than 600 participating in our on-line event and regional in-person press conferences.

***We are submitting this Economic Development testimony because child care is a quintessential economic development issue. Child care challenges are keeping parents – particularly women - out of the workforce at a time when business is desperate for employees. Due to years of insufficient public investment, the child care sector entered the pandemic already faltering; pandemic challenges have led to widespread child care closures and a significant loss of capacity. These challenges are undermining the speed and strength of New York’s economic recovery. Failing to treat child care as fundamental to economic development is a missed opportunity because investing in early childhood programs have among the best returns on investment. We urge New York to make child care a centerpiece of the state’s economic development strategy.***

New York’s Child Care Landscape

High-quality child care is the largest monthly bill for families with children, costing an average \$2,047 per month (\$24,564 per year) for two children in a child care center in 2019. Many New York families struggle to find and afford care. According to federal guidance pegging affordability at no more than 7% of family income, child care is unaffordable for most New York families. Under this guidance, a family of two would need an annual income of \$350,914 to “afford” the annual cost of center-based care despite state median income for a

family of four being \$100,377.<sup>1</sup> Due to under- investment in child care for low-income families, it is estimated that fewer than 20% of eligible low-income families who could benefit from receiving child care subsidy assistance from New York State receive it.<sup>2</sup>

**At the same time, just as the state is beginning to recover, and parents (many of whom were forced out of the workforce due to school and child care closures) are beginning to go back to work, New York’s child care sector teeters on the edge of collapse.** Pandemic-related closures and drops in enrollment, compounded by significant increased costs to providers to keep their programs clean, and children socially distanced, took a tremendous toll on the sector, and caused widespread closures. The total capacity for New York’s statewide licensed child care capacity has shrunk by 9,500 spots, in a state where 64% of New York residents lived in a child care desert prior to the pandemic. Funds for Stabilization grants in the federal American Rescue Plan included in last year’s Enacted Budget, distributed in six monthly payments, kept many providers treading water this fall and winter. However, monthly payments are ending for most providers either this month or next, leaving many providers once again struggling to keep their doors open.

Child care educators who, in the best of times, struggle to sustain their families on low wages, have faced tremendous challenges as the pandemic has caused many providers to reduce staff or shut down altogether. The median wage for a child care worker in New York in 2020 was \$28,246 per year, or \$14.40 an hour.<sup>1</sup> Many of these low-wage essential workers have continued to provide care throughout the pandemic, often at great personal risk to themselves and their families.

### Accessible, High Quality Child Care is an Effective Economic Development Strategy

The high cost of child care not only impacts individual families’ economic wellbeing, but has long negatively impacted the state’s economy. Well before the pandemic, insufficient investment in child care led to negative effects on statewide productivity. It has decreased the workforce participation rate,<sup>3</sup> a major factor that impacts the state’s potential gross domestic product (GDP); a traditional indicator of economic wellbeing. The impacts of the pandemic have only worsened these trends.

The mission of economic development is “to promote a vigorous and growing state economy, encourage business investment and job creation, and support diverse, prosperous local economies across New York State through the efficient use of loans, grants, tax credits, real estate development, marketing and other forms of assistance.” Prioritizing child care, *and* allocating significant, consistent economic development funding to help support a sustainable child care infrastructure throughout New York State would help achieve this. Increased investment in child care can do the following to promote economic development:

- Stabilize and expand the child care system, primarily in areas of little to no available child care access, known as child care deserts
- Grant and expand access to quality and affordable child care to more families who were previously ineligible for child care subsidies
- Provide child care workers with annual wage supports to make these workers’ salaries liveable, thereby decreasing turnover of staff in child care facilities

- Induce families to stay and raise their families in New York, maintaining a steady tax base throughout the state, which will create strong communities
- Enable parents, particularly women, to return to the workforce. January's national jobs numbers confirmed that women's historic exit from the labor force during the pandemic is far from over; women are still having trouble returning to the workforce in large part due to unstable, unaffordable child care and caregiving arrangements. Nationally, men's labor force participation had increased to 70%; women are still lagging at 56%.<sup>4</sup>

Businesses – in New York and around the country -- agree that child care is critical to their success. This issue was highlighted in a recent survey of eighty businesses within the seven counties of the North Country counties. Child care “was identified as a top priority” issue as it negatively affected “recruitment efforts [therefore] affecting employee attendance” which was only made worse with the pandemic.<sup>5</sup>

Annually, companies in the United States every year lose over \$3 billion as a consequence of child care related issues, predominately absences due to a lack of accessible child care.<sup>6</sup> Businesses face higher rates of turnover, less consumer activity due to lost potential income, and decreased productivity.<sup>7</sup> Productivity is a key component of economic development and when labor's effectiveness decreases, it negatively affects business profitability and, consequently, a community's economic development.

When groups of workers in the economy are unable to reach maximum productivity due to barriers such as childcare, it hampers overall economic growth.<sup>8</sup> It has long been the case that parents' inability to secure quality affordable child care results in lower workforce participation, less income tax revenue for the state as a result of lost potential career and salary advancements, and higher rates of families pushed into poverty.<sup>9</sup> In the wake of the pandemic, that challenge has grown exponentially. Women dropped out of the workforce in record numbers during the pandemic to meet caregiving demands; they are still out of the workforce and out of work in record numbers.<sup>10</sup>

In addition to the short-term economic consequences, there is a long term, generational impact. Since high quality child care can have a significant positive impact on educational outcomes, inaccessibility can contribute to the achievement gap between socio economic groups.<sup>11</sup> This achievement gap, proven to persist past secondary school, undermines the quality of New York State's workforce contributions and worker incomes.<sup>12</sup> Education is a key component of improving a workforce and its productivity. When so much of the future workforce is deprived of an adequate educational foundation due to inaccessible quality child care, later attempts to improve the workforce through education are less effective and do not garner the same potential return on investments.<sup>13</sup>

### Quality Child Care and Return on Investment

Economists agree that “[i]nvesting in early childhood development yields a much higher return than most government-funded economic development initiatives.”<sup>14</sup> Research has shown that investments in high-quality early childhood education can generate up to \$7.30 per dollar invested.<sup>15</sup> Access to stable, high-quality child care also helps parents improve their labor productivity by increasing work hours, missing fewer work days and pursuing further education.<sup>16</sup> The availability of early childhood education programs attracts homebuyers and

increases property values by \$13 for every dollar invested in local programs.<sup>17</sup> Early childhood education reduces grade retention and is shown to save school systems money for K-12 education.<sup>18</sup> Participants in high-quality early childhood education also show long-term gains in the form of lower rates of incarceration (46% reduction), lower rates of arrest for violent crimes (33% reduction) and a reduced likelihood of receiving government assistance (26% reduction).<sup>19</sup>

### Child Care in the Executive Budget

Governor Hochul recognized in her State of the State address the need for more access to affordable child care and to raise the wages of child care workers. Unfortunately, the Executive Budget fell far short of meeting today's extraordinary challenges and contains no proposals to begin to move toward transforming the State's patchwork system into universal care. The only child care relief the Executive Budget offers parents is a small expansion in the number of income-based subsidies beginning in October 2022. For the dramatically underpaid workforce, it includes a modest and time-limited wage supplement.

Specifically, the **Executive Budget** proposes a modest increase in child care subsidy funding, the principal public support for families to meet the high costs of quality child care, to \$894.6 million. Those funds are derived from the State General Fund with an investment of \$301.1 million, representing a \$50.1 million increase from last year, \$311.5 million drawn from federal Child Care Development Block Grant (CCDBG) funds and \$282 million drawn from federal TANF funds.

The **Executive Budget** proposes to expand child care subsidies to working and otherwise eligible families whose income is 300% of the federal poverty line and below 85% State Median Income (SMI) in three years. The expansion will phase in at 225% of the federal poverty level (FPL) beginning October 16, 2022, 265% of FPL beginning April 1, 2023 and 300% of FPL beginning April 1, 2024. The Executive Budget grants the counties the option to expand subsidies outright to 300% FPL and below 85% State Median Income (SMI) beginning October 16, 2022.

What New York families, children, child care providers, business, and communities need is \$5 billion in sustained funding for child care and invest it to put New York on a short path to universal child care.

### **Specifically, Schuyler Center, and the Empire State Campaign for Child Care and Winning Beginning NY -- two statewide early childhood coalitions we help lead - request:**

- **\$5 billion total investment in child care in the final Enacted Budget, drawing from remaining federal child care and unrestricted stimulus funds, existing federal CCDBG funds (including the significant rollover funds), and state tax revenues (including economic development funds) to enable New York to take large steps this year toward achieving universal access to child care this year.**
- **Of this amount, we request an approximately \$2.8 billion to expand access to families for child care subsidies; \$1.3 billion for workforce supports; and \$600 million to increase child care provider reimbursement rates to come closer to reflecting the true costs of child care. The investments must be directed to each of these three pillars of the system to guard against destabilizing the child care sector or inadvertently harming New York families as we transition to universal.**

## A Recovery That Centers All New York Children and Families

As New York turns the corner to pandemic recovery, we urge the Legislature and the Governor to pass a 2022-23 Budget that centers our children; prioritizes those communities hit hardest by the pandemic, and the essential workers who saw us through; and uses this moment of rebuilding as an opportunity to build back the systems upon which children and families and all New Yorkers rely to be aligned, coordinated, well-resourced, and anti-racist.

Thank you. We appreciate the opportunity to submit testimony and look forward to continuing to work with you to build a strong New York.

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<sup>1</sup> Schuyler Center for Analysis and Advocacy. 2022. The State of New York's Children. Data Book: January 2022. <https://scaany.org/wp-content/uploads/2022/01/SONYC-Data-Book-2022.pdf>.

<sup>2</sup> Ullrich, Rebecca, Schmit, Stephanie and Cosse, Ruth. 2019. Inequitable Access to Child Care Subsidies. CLASP. [https://www.clasp.org/sites/default/files/publications/2019/04/2019\\_inequitableaccess.pdf](https://www.clasp.org/sites/default/files/publications/2019/04/2019_inequitableaccess.pdf)

<sup>3</sup> The Committee for Economic Development of the Conference Board. (2013). Child Care in State Economies: New York. Retrieved from: <https://www.ced.org/childcareimpact>

<sup>4</sup> [https://www.bls.gov/news.release/empsit.t01.htm#cps\\_empsit\\_a01.f.1](https://www.bls.gov/news.release/empsit.t01.htm#cps_empsit_a01.f.1)

<sup>5</sup> NNY Business. 2021. Economic Development Column: The Link between Child Care and Economic Development. [https://www.nny360.com/magazines/nybusiness/topstories/economic-development-column-the-link-between-child-care-and-economic-development/article\\_d731869f-a164-5482-94be-d8723831f3e8.html](https://www.nny360.com/magazines/nybusiness/topstories/economic-development-column-the-link-between-child-care-and-economic-development/article_d731869f-a164-5482-94be-d8723831f3e8.html)

<sup>6</sup> Elswick, J. (2003, Jun. 15). More Employers Offer Back-Up Care. Employee Benefit News. Retrieved from: [http://www.accessmylibrary.com/coms2/summary\\_0286-23549740\\_ITM](http://www.accessmylibrary.com/coms2/summary_0286-23549740_ITM)

<sup>7</sup> Stevens, K.B. (2017, Jun.). Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare. U.S. Chamber of Commerce Foundation Center for Education and Workforce. Retrieved from: [https://www.uschamberfoundation.org/sites/default/files/Workforce%20of%20Today%20Workforce%20of%20Tomorrow%20Report\\_0.pdf](https://www.uschamberfoundation.org/sites/default/files/Workforce%20of%20Today%20Workforce%20of%20Tomorrow%20Report_0.pdf)

<sup>8</sup> The Donor Committee for Enterprise Development. (2017, May. 13). Increased productivity creates economic growth. Retrieved from: <http://www.enterprise-development.org/what-works-and-why/evidence-framework/increased-productivity-creates-economic-growth/>

<sup>9</sup> Child Care Aware of America. (2016). Parents and the High Cost of Child Care. Retrieved: [http://www.usa.childcareaware.org/wpcontent/uploads/2016/12/CCA\\_High\\_Cost\\_Appendices\\_2016.pdf](http://www.usa.childcareaware.org/wpcontent/uploads/2016/12/CCA_High_Cost_Appendices_2016.pdf)

<sup>10</sup> <https://nwlc.org/resource/men-recouped-losses-women-lag-behind/>

<sup>11</sup> Shonkoff, J. & Phillips, D. (2000). From Neurons to Neighborhoods: The Science of Early Childhood Development, National Academy Press. Retrieved from: <https://www.nap.edu/read/9824/chapter/1>

<sup>12</sup> Shonkoff, J. & Phillips, D. (2000). From Neurons to Neighborhoods: The Science of Early Childhood Development, National Academy Press. Retrieved from: <https://www.nap.edu/read/9824/chapter/1>

<sup>13</sup> Stevens, K.B. (2017, Jun.). Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare. U.S. Chamber of Commerce Foundation Center for Education and Workforce. Retrieved from: [https://www.uschamberfoundation.org/sites/default/files/Workforce%20of%20Today%20Workforce%20of%20Tomorrow%20Report\\_0.pdf](https://www.uschamberfoundation.org/sites/default/files/Workforce%20of%20Today%20Workforce%20of%20Tomorrow%20Report_0.pdf)

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<sup>14</sup> Rolnick A & Grunewald, R. (2007). The Economics of Early Childhood Development as Seen by Two Fed Economists, Federal Reserve Bank of Minneapolis, Community Investments. Retrieved from: [http://www.frbsf.org/community-development/files/community\\_investments\\_fall\\_2007.pdf](http://www.frbsf.org/community-development/files/community_investments_fall_2007.pdf)

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<sup>16</sup> Case for Child Care. 2019. America, It's Time to Talk About Child Care.

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<sup>18</sup> Karoly, L. A. & Whitaker A. A. 2016. Informing Investments in Preschool and Quality and Access in Cincinnati. <https://evidencebasedprograms.org/programs/perry-preschool-project/>

<sup>19</sup> Social Programs That Work. 2021. Perry Preschool Project.

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