



**Testimony before the
Joint Legislative Hearing Committee on 2023-24 Executive Budget Proposal:
Human Services**

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**Lauren Melodia
Deputy Director of Economic and Fiscal Policies
Center for New York City Affairs at The New School**

Good morning distinguished chairpersons and members of the New York State Legislature. My name is Lauren Melodia, and I am the Deputy Director of Economic and Fiscal Policies at the Center for New York City Affairs (CNYCA) at The New School. Thank you for the opportunity to testify.

I am writing to provide feedback on 2023-24 Executive Budget proposal to expand childcare. I applaud the Governor's commitment to build off of last year's historic investments in the State's childcare system with plans this year to standardize eligibility, streamline and centralize the process for families to access subsidized care, and expand eligibility to families at 85 percent of the median income. However, our current childcare system is in crisis and is unable to serve the already eligible families that have successfully navigated the State's complicated process to obtain subsidized care.

My analysis of data on early childhood educators in New York State finds one foundational cause to this crisis: the low wages and earnings paid to early childhood educators (ECE). In order to stabilize the existing childcare system, much less expand it, the Legislature must do much more than what the Executive Budget proposes to support the workforce. Rather than dedicate \$389 million in unspent federal funds to another business stabilization grant program, the State Legislature needs to earmark \$1.2 billion in the 2023-24 budget (and in future budgets until a new State reimbursement methodology is implemented) to provide a short-term workforce compensation fund to raise all childcare workers' pay by at least \$12,500 per year. Combined with policy changes to the State's reimbursement rate and processes, which the State should begin through legislation this year, these policy interventions can end the current childcare capacity crisis—where facilities are closing or unable to use their existing capacity as workers leave for higher wages in other industries.

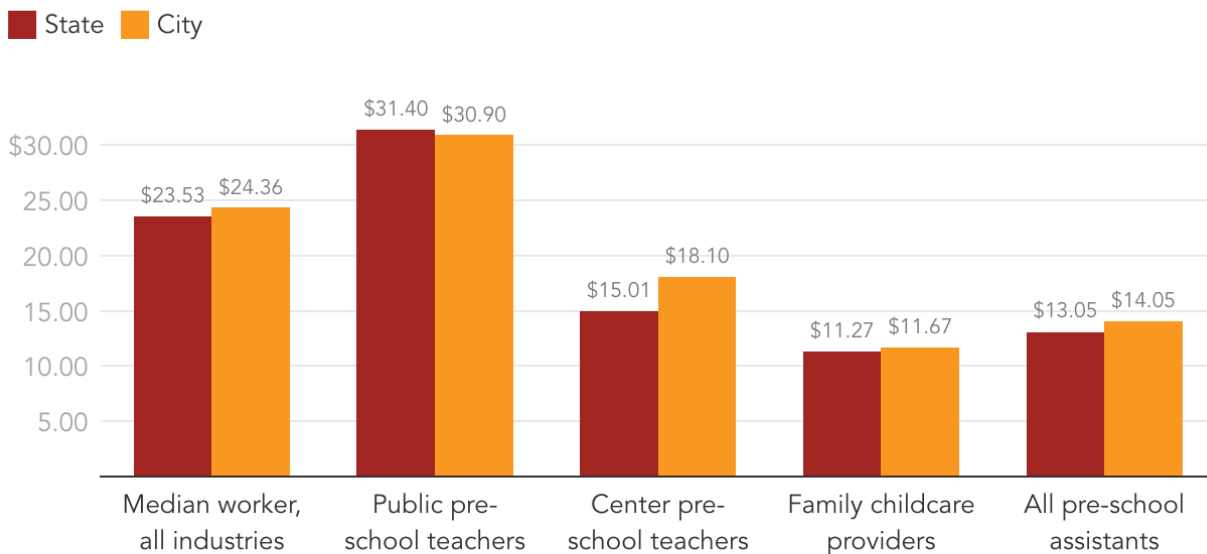
New York State does not have a unified childcare system. The State and other municipalities over time have layered different elements – each with their own policy supports – on top of each other. Those layers form the network that is our existing childcare system. It starts with unpaid care labor in the household, predominantly provided by women. On top of that we have full-day, year-round daycare in centers and providers' homes, which families can pay for out of pocket or, if eligible, with subsidies in the form of vouchers to spend where they choose. Most recently we've added universal Pre-K as an additional layer, which is provisioned in the non-profit and public sectors and has drawn the public school system more fully into early childhood education. As a result, there are early childhood educators working in different settings: at their own small business, at a non-profit center or private school, or at a public school. Each setting has its own requirements, some of which include different expectations for workers' education and training.

Outside of the public school system where some Pre-K is offered, early childhood educators are not earning wages on par with their neighbors and peers. For example, in 2019 – the year we have the most

reliable data for at this time – the median hourly wage in New York City was \$24.36 per hour.¹ However, the median hourly wage for a New York City pre-school teacher working at a non-profit or private establishment was \$18.10, and the median hourly wage for assistant teachers (or childcare workers) in all settings was \$14.05, less than the City’s minimum wage at that time.² For the state as a whole, these disparities were even more pronounced for ECE teachers. In 2019, the median hourly wage for a pre-school teacher working at a non-profit or private establishment across New York State was half the hourly wage for a public school pre-school teacher (\$15.01 per hour verses. \$31.40 per hour).³ The median assistant teacher in 2019 was making \$13.05 per hour – slightly above the minimum wage in Long Island and Westchester at the time.

Family childcare providers are the lowest paid in the sector

Hourly earnings of median worker in group, 2019



Source: CNCYA analysis of American Community Survey, 2019 1-year microdata. U.S. Census Bureau.

Meanwhile, family childcare providers, who run their own small businesses out of their homes to offer primarily full-day childcare, are paid even less. In 2019, family childcare providers were reporting annual business earnings after expenses that were 7 percent lower than non-profit or private childcare workers’ annual wages in the state.⁴ Family childcare providers tend to work more than 40 hours per week, while assistants tend to work less than full-time., Therefore, family childcare providers not only made less annually, they were also making an estimated \$11.27 per hour in the State and \$11.67 per hour in New York City in 2019 – both lower than what minimum wage was by the end of 2019 in every county in New York State.⁵

¹ CNCYA analysis of American Community Survey, 2019 1-year microdata. U.S. Census Bureau.

² CNCYA analysis of American Community Survey, 2019 1-year microdata.

³ CNCYA analysis of American Community Survey, 2019 1-year microdata.

⁴ CNCYA analysis of American Community Survey 2019 5-year microdata, U.S. Census Bureau.

⁵ New York State. “New York State’s Minimum Wage,” accessed February 10, 2023, <https://www.ny.gov/new-york-states-minimum-wage/new-york-states-minimum-wage>.

Some early childhood educators have reported leaving the industry for higher wages in fast food and other far less-demanding industries.⁶ People working in childcare can find better paying jobs without having to do additional training. Take for example that the median family childcare provider or center-based childcare worker has a high school diploma. In 2019, the median wage of people with a high school diploma in was \$18.07 per hour in the State, which was \$5 more per hour than for an ECE assistant teacher workers and almost \$3 more per hour than for pre-school teachers in the State (and the same per hour as pre-school teachers in the City), who typically have a bachelor's degree or more.⁷

Childcare is a labor-intensive industry. State law requires specific ratios of educators to children. The industry simply doesn't function without its most important input – staff. Given the low wages in the industry, it is not a surprise that the childcare sector's capacity is in crisis. While many sectors faced challenges due to the government shut down of the economy, childcare has not bounced back. New York State's child day care services lost 27,400 jobs in April 2020 due to the pandemic and the government's shutdown of the economy.⁸ Despite high demand today, as of November 2022 New York State and Bureau of Labor Statistics surveys estimate that the child day care services industry is only at 96% of its pre-pandemic level of jobs.⁹ The capacity is probably lower than this estimate, because these surveys likely misses most family childcare providers. Furthermore, during this time period there has been a reshuffling of workers into after-school programs for children ages 5 and over and away from full-day services for younger children.¹⁰ When comparing the capacity of registered childcare facilities in New York at the end of 2022 to 2019 before the pandemic, the State system has lost over 7,000 seats for children under 5 and over 1,200 facilities. Family childcare providers were hit especially hard by the pandemic, with over 20 percent of them in the state (and 25 percent of them in the city) closing their businesses during the pandemic.¹¹

There are numerous reasons family childcare providers faced the most extreme closure rates in the sector during the pandemic. Working longer hours than others in the sector, many family childcare providers were unable to navigate the pandemic relief programs made available to them. Fewer than half of childcare facilities across the sector received Paycheck Protection Program loans, and family childcare providers were the least likely in the sector to receive them.¹² While the State later established a stabilization grant program in 2021 that resulted in better uptake rates by providers across the industry (including better uptake rates for family childcare providers), this stabilization may have come too late for family childcare providers, who are the lowest paid workers in the sector running their own facilities and, therefore, most vulnerable to cash flow disruptions.

⁶ In New York City, fast food workers and those working at businesses employing more than ten people received minimum wage increases a year earlier than people working at small businesses with ten employees or less. Outside of New York City, fast food workers received their increase to a \$15 minimum wage after July 1, 2021, while workers in other industries did not obtain the increase to \$15 per hour until after December 31, 2021. The remainder of the state has a minimum wage of \$14.20 per hour for workers not employed in fast food.

⁷ CNYCA analysis of American Community Survey 2019 5-year microdata.

⁸ CNYCA analysis of Current Employment Statistics, Bureau of Labor Statistics, accessed January 22, 2023, <https://beta.bls.gov/dataViewer/view/timeseries/SMU36000006562440001>.

⁹ CNYCA analysis of Current Employment Statistics, Bureau of Labor Statistics.

¹⁰ CNYCA analysis of Office of Children and Family Services, "Childcare Facts & Figures 2019;" CNYCA analysis of Office of Children and Family Services, "Childcare Facts & Figures 2022."

¹¹ CNYCA analysis of Office of Children and Family Services, "Childcare Facts & Figures 2019;" CNYCA analysis of Office of Children and Family Services, "Childcare Facts & Figures 2022."

¹² "Rebuilding Our Future: Child Care Closures in New York During the Pandemic - The Children's Agenda," accessed January 11, 2023, <https://thechildrensagenda.org/publications/rebuilding-our-future-child-care-closures-in-new-york-during-the-pandemic/>.

In order to maintain – much less expand – capacity and improve quality, early childhood educators need to be paid more. And the State is a critical partner in making this possible. Compared to other sectors, like fast food, childcare facilities are less able to increase wages to retain and recruit workers for a few reasons. First, it is hard for facilities to raise their rates to clients because of market pressures to keep childcare affordable for working families. Second, it is hard for them to increase revenue by serving more children, because State regulations require specific ratios of educators to children, which is important for delivering quality care. Third, those who are providing care through contracts with the Department of Education or vouchers paid by the State, have contracts to provide services at a set rate and must navigate extensive bureaucratic processes to amend those contracts. If the State Legislature raises the minimum wage this year—which would directly benefit childcare workers, other low wage workers, and facilitate a significant reduction in poverty, how exactly will centers and family childcare providers get additional resources to pay even a minimum wage increase?

Last year, the State Legislature and Governor made historic investments in the childcare sector – to expand eligibility to more families and increase the reimbursement rate for State vouchers to providers. And yet, rather than spending the past year celebrating these victories, there have been multiple problems: a slow roll-out of the expanded eligibility due to agency backlogs, delayed payments to providers at centers and voucher increases to family-based childcare facilities leading to more facility closures. The complex bureaucracy that supports this network of providers simply has not been able to serve the sector. Early childhood educators and the children and parents they serve are paying the cost.

There are three things the Legislature should prioritize this year to stabilize the early childhood education workforce. First, the State needs to adopt a different methodology to determine the rate of pay at which it pays providers to care for subsidized families using vouchers. Federal law allows states to establish an alternative reimbursement methodology other than the market-rate methodology, which is the methodology New York State currently uses. The market-rate methodology undervalues care work and makes the State complicit in this undervaluation. Evaluating current wages of center- and family-based providers, it is clear that the current methodology results in workers in the industry taking the cut. Enacting legislation that would commit New York State to transition to a new provider reimbursement methodology by 2025, one that is based on the true cost of care (including fair compensation for workers based on their training and responsibilities), can put New York on a path to pay childcare workers a living wage.

Second, while it is important to legislate that the reimbursement methodology must change, the State Legislature must enact an emergency stop gap while these and other implementation issues are resolved. One simple and effective way to do this, which Washington, DC City Council has provided a model for and is currently implementing, is to establish a short-term workforce compensation fund to raise all childcare workers' pay by at least \$12,500 per year.¹³ To cover workers across the industry and stabilize the existing capacity, this initiative would require a \$1.2 billion budget investment.¹⁴ Building off of the lessons from the slow roll-out of previous State stabilization grants to the childcare sector, this initiative should be designed to be delivered automatically and directly to workers, not through a grant application process. An estimated \$1 billion is needed to cover the emergency wage supplement to workers, and an estimated \$190 million is needed to cover health insurance for the workers currently relying on Medicaid that would lose access to their health insurance by having a living wage as a result of this wage supplement program.¹⁵ This emergency wage supplement, which is needed until a new State

¹³ Weil, Julie Zauzmer, "D.C. government will send \$10,000 checks to the city's day-care workers," Washington Post, February 1, 2022.

¹⁴ Empire State Campaign for Child Care. "2023 Policy Priorities: In Light of 2023 Executive Budget Proposal." Accessed February 10, 2023, <https://www.empirestatechildcare.org/policy-priorities-post-executive-budget.html>.

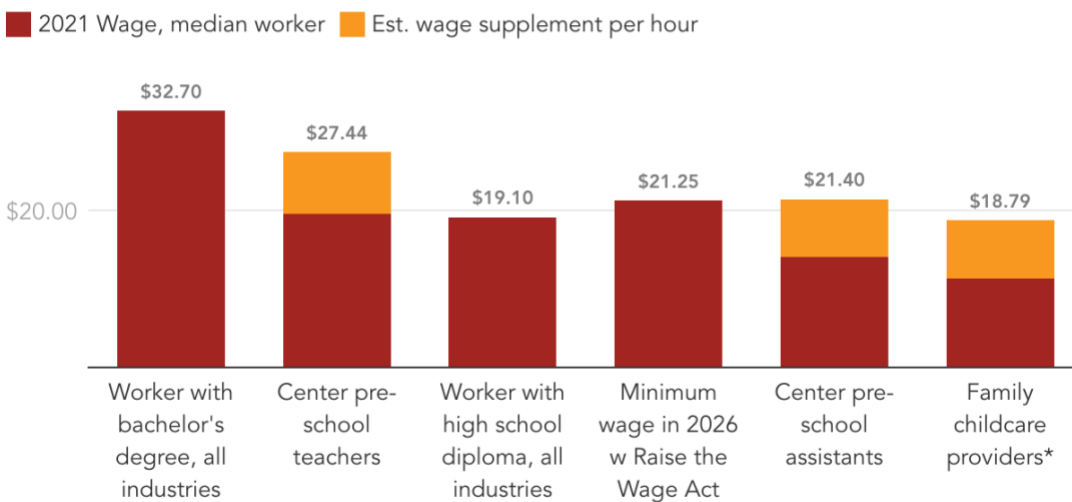
¹⁵ Empire State Campaign for Child Care. "2023 Policy Priorities: In Light of 2023 Executive Budget Proposal."

reimbursement methodology is implemented, will be effective at retaining workers, who may be contemplating leaving for higher wages in other occupations.

Why \$12,500? The emergency wage supplement to childcare workers would effectively eliminate much of the disparities in income I described above, thereby incentivizing people to continue working in the ECE industry. Using 2021 data, I estimate it would translate to pre-school teachers in the state making a median hourly wage of \$27.44. This is approximately 16 percent less than the median hourly wage for workers with a bachelor’s degree across all industries in New York State. However, it would be a major improvement on today’s wage disparities between these groups and an important stop gap until a new State reimbursement methodology is implemented.¹⁶ The wage supplement would also guarantee that center-based assistant pre-school teachers earn about \$21.40 per hour, which is almost exactly what the NYC and downstate suburban minimum wage would be by January 2026 if it were indexed to inflation and labor productivity along with a catch-up provision as called for in the Raise the Wage Act (S. 1978).^{17,18} This emergency workforce compensation fund would also help to boost wages in and stabilize occupations across the center-based sector, where the majority of New York City’s Pre-K program is provisioned and where more work is needed to expand the geographic and occupational reach of the City’s 2019 salary parity agreement between center- and public school early childhood educators.¹⁹

A wage supplement will stabilize the childcare sector, by removing financial incentive for workers to leave for higher wages in other industries

Estimated hourly earnings of median worker in group



*Due to anomalies in 2021 data, the estimates for Family childcare providers are based on 2019 ACS data.

Source: CNYCA analysis of American Community Survey, 2019 and 2021 1-year microdata. U.S. Census Bureau.

¹⁶ CNYCA analysis of American Community Survey, 2021 1-year microdata. U.S. Census Bureau.

¹⁷ The NYC and downstate suburb minimum wage would be \$21.25 on January 1, 2026 if the Raise the Wage Act (S.1978) is enacted.

¹⁸ “NY State Senate Bill S1978,” NY State Senate, January 17, 2023, <https://www.nysenate.gov/legislation/bills/2023/s1978>.; CNYCA analysis of Occupational Employment Statistics.

¹⁹ James Parrott, “The Road to and from Salary Parity in New York City in Early Childhood Education” (Center for New York City Affairs, January 2020), <http://www.centernyc.org/salary-parity-in-nyc>.

Third, the State Legislature must pass legislation to automatically pass on rate increases to providers. Family-based providers that accept vouchers are currently required to go through a lengthy application process to receive the increased market rates calculated by the Office of Children and Family Services (OCFS). This means that important steps the Legislature has already taken to increase the subsidy rates for providers has still not been passed on to many providers, which has undoubtedly compromised providers' ability to accept children from subsidized families or stay in business. New York State's network of 17,000 providers – and potentially more, as the State looks to increase capacity – needs few bureaucratic hurdles to provide public support.

Combining an automatic increase to all family childcare providers to the 80th percentile of the 2022 State reimbursement rate, which was legislated last year but not delivered to many providers due to the current bureaucratic process, alongside the \$12,500 emergency compensation for family childcare providers will make a significant impact in stabilizing the family-based sector of the system, which is critical. Family childcare providers currently serve two-thirds of the families who receive vouchers for subsidized care. Moreover, they are the most flexible part of the current system – with the ability to care for children of all ages and during non-traditional hours. Earlier I estimated that these essential workers make less than assistant pre-school teachers. It is important to remember that family childcare providers are not assistants: they are administrators, teachers, and childcare workers all combined in one role. It is essential that the State Legislature center these workers in their efforts to address the multiple crises in the State's childcare system.

Together, these three initiatives can boost income for family childcare providers and wages for early childhood educators, which will stabilize the system as it exists now and create the possibility of growing it to meet the expansions the Governor has called for her in her 2023-24 Executive Budget. Increasing the pay to childcare workers across all settings will improve quality, by reducing turnover of staff. It will also increase the possibility for providers to increase their flexibility to meet the needs of working families. All of this will, in turn, benefit all New Yorkers, by establishing a childcare sector that can support increased labor force participation, especially of working moms.²⁰ Furthermore, the State is capable of investing more in early childhood education. In an analysis of the Governor's Executive Budget, Dr. James Parrott, Director of Economic and Fiscal Policies at CNYCA, demonstrates that it would be prudent for the State to invest some of the funds the Governor is proposing to hold in reserve or raise additional revenues for this and other critical needs to truly “invest in the New York dream.”²¹

²⁰ James Parrott, “Wage Increases Would Quicken Lagging New York's Recovery” (Center for NYC Affairs, November 2022), <http://www.centrernyc.org/reports-briefs/for-child-care-providers-and-home-health-care-workers-especially>.

²¹ James Parrott, “Governor Hochul's Budget Under-Invests in the ‘New York Dream’” (Center for NYC Affairs, February 8, 2023), <http://www.centrernyc.org/urban-matters-2/governor-hochuls-budget-under-invests-in-the-new-york-dream>.