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Testimony before the
Joint Legislative Budget Hearing Committee on
the 2026-27 Executive Budget Proposal:
Human Services

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

The Center for New York City Affairs is an applied economic research institute. We analyze economic data at the city and state level to identify how broader economic changes affect New Yorkers. Today, I will focus on how the Center's labor market analysis of wages in the child care sector and economic research on the unique mix of business types in the sector point to urgent gaps in the Governor's 2026-27 Human Services budget on child care and ways the Legislature can address those gaps.

Governor Kathy Hochul's Executive Budget released last week includes $4.5 billion for public child care programs for SFY 2026-27. This marks a major step toward phasing in a universal child care system. The governor proposes to continue and expand existing programs (3-K, Pre-K and Child Care Assistance Program – called "CCAP" – subsidies for low-income families) while also piloting new initiatives (phasing in "2-Care" in New York City and instituting universal 0-3 care in Broome, Dutchess, and Monroe counties).

Existing child care centers and home-based providers will be the vehicle for this expansion. That makes sense. These programs are already licensed and trained to care for infants and toddlers, who benefit from small, intimate settings that are culturally and linguistically responsive to them and their families. They're the right places for starting to shape an equitable, efficient, and universal system.

In time, all these programs must be braided together, to eliminate inefficiencies and inequities arising from running them through multiple agencies under multiple contracts. An illustrative example: currently over 15,000 children from low-income New York City families do not have care they are eligible for, because insufficient CCAP funds were allocated in this current fiscal year – even as the City budget also maintains funding for nearly 8,000 empty 3-K seats.[1]

But there's one thing that cannot wait to be sorted out later: Ensuring adequate compensation for now woefully underpaid child care programs and workers. Such a commitment is missing from the governor's Executive Budget, and has been widely reported on public radio and print media. It's an omission the State Legislature has the authority and responsibility to correct this legislative and budget session.

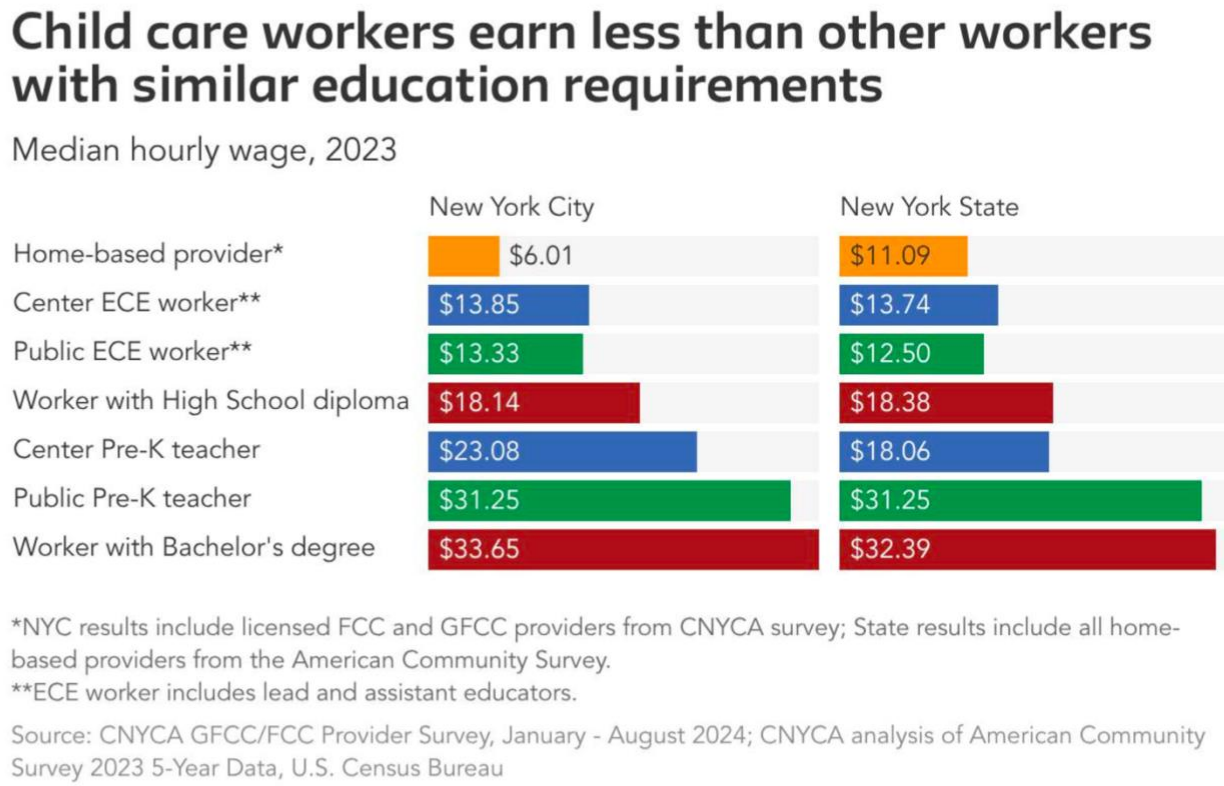
As I mentioned, the child care sector is split across a variety of sectors (home-based small businesses, non-profit centers, and public schools) and includes a mix of publicly funded seats and seats paid for out of pocket by parents. This creates a unique set of challenges not seen elsewhere in the economy and vulnerabilities that will be tested through a phase-in approach to universal child care. It will require a three-policy solution to address low wages, pay disparities and the impact these have on the supply of and aquality of child care.

That means the State Legislature must adopt these three essential measures:

1. There must be a clearly defined and sector-wide salary scale and career ladder.

Currently, the early care and education (ECE) field's low starting pay discourages prospective workers, who can earn comparable wages in retail or fast food jobs that don't require lengthy background checks or upfront, unpaid training. As the graph below shows, experienced professionals in the field also face significant pay and benefit disparities depending on whether or not they work in a public school, non-profit center, or home-based program.

[1] Lauren Melodia, "How Mamdani Can Take a First Step Toward Universal Child Care," Center for New York City Affairs, December 10, 2025, https://www.centernyc.org/urban-matters-2/how-mamdani-can-take-a-first-step-toward-universal-child-care.



For example, child care staff working in New York City Public Schools (NYCPS) are covered by a union contract with generous benefits and a salary scale that incentivizes obtaining additional education and experience. But NYCPS's 3-K and Pre-K contracts with center and home-based programs (and the unions that represent their workers) don't include a comparable salary scale and benefits package.

These factors contribute to high worker turnover, compromising the ability of programs to establish the long-term relationships so critical in early childhood development. That leaves many child care programs without the legally required staff levels needed to reach their licensed capacity of children.

A sector-wide wage scale and career ladder would address these issues by guaranteeing compensation for similar work across all program modalities and incentivize people to grow professionally in the field. It would bring new people into the workforce, reduce the drop-off of experienced staff and providers, and eliminate pay disparity as a cause of turnover and quality difference across modalities. This can be achieved by sectoral collective bargaining or a wage board at the State level.

2. **The *true* cost of care must be the standard in contracts and vouchers for early care and education.**

The State instead now uses a "market rate methodology" to determine public rates paid to home- and center-based providers for CCAP vouchers. The City also uses this methodology in its 3-K contracts with home-based providers. What this means, in essence, is that the State Office of Children and Family Services periodically surveys the local market for private child care services, determines what providers are charging, and sets public reimbursement rates accordingly.

But this all rests on a fallacy. Program directors and providers know that parents cannot afford the true cost of care, and therefore discount private rates. A public rating setting built on this market failure leads to programs having inadequate funding to keep their businesses open and pay their staff.

The City's use of this methodology for 3-K contracts with home-based programs penalizes home-based programs vis-a-vis non-profit child care centers requiring identical programming and credentials for teachers. For example, the current extended day contract for NYCPS 3-K care pays home-based programs $10,573 per year per child less than it does the average center-based programs. This creates significant downward pressure on wages and offerings in home-based programs.

It also leads to most home-based providers themselves earning less than the minimum wage. They are small business owners whose personal income is whatever is left after all business expenses are paid. The Center for New York City Affairs collected survey data from a representative sample of over 450 licensed home-based providers. In a report of that study's findings published in November 2025, I found that their median take-home pay in the city is only $6.01 per hour.[2]

Legislation is needed to transition the State towards a true cost of care methodology that will correct these existing problems and establish a sound future framework for all public child care programs.

3. **The legislature must enact an early care and education wage subsidy fund in the State FY2026-27 budget.**

As the City and State phase in universal child care, not every family will immediately have access to public options. Private sector center- and home-based programs will continue to be the norm, many serving a mix of families, some with access to public programs and some who pay out of their own pockets.

Without a wage subsidy fund, providers continuing to serve a mix of clients will face several options – all bad. They can improve salaries by increasing tuition for already financially hard-pressed private pay families. Or they can shrink their programs to only serve public clients, which will make child care less available to parents not yet eligible for phased-in new public programs. This is a particular concern for families needing infant care now, which is not included in Mayor Mamdani's approach to "age down the system." Or they can maintain their existing private tuition rates – but then they won't be able to adequately pay their staff according to a sector-wide salary scale.

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[2] Lauren Melodia and Alex Madge Paredes, "Dignified Pay for Quality Care: What New York's Family Child Care Providers Need to Thrive," *Center for New York City Affairs,* November 2025, https://www.centernyc.org/reports-briefs/dignified-pay-for-quality-care-what-new-yorks-family-child-care-providers-need-to-thrive.

A wage subsidy fund is the only policy tool that can mitigate these problems. It would be used to fill the gap between current salaries and any minimum wage standards established through in a sector-wide career ladder. For example, assistants at child care centers currently earn $18 per hour in New York City. If this were to become a sector-wide standard, the fund would provide a subsidy to home-based providers in the city so that they can pay their assistants that wage.

This is the most critical of the three elements I've outlined today. While the other two will take time to implement, a wage subsidy fund can quickly address staffing shortages and wage differentials in the field. This will stabilize the supply of child care as well as the cost of care for private pay families waiting for universal child care to come to their neighborhood or their infants.

A Child Care Workforce Pay Equity Fund bill (S.5533 (Brisport)/A.492 (Hevesi)) has been introduced in both the State Assembly and Senate. The Empire State Campaign for Child Care advocates putting $1.2 billion in this fund for the coming fiscal year. That would enable the State to provide a flat wage subsidy of $12,000 to all child care staff and providers. This is similar to the average $14,000 supplement that Washington D.C. implemented in 2022, which has been credited with significantly reducing turnover in the field, boosting child care educator employment, and expanding capacity.

Addressing low wages and wage disparities in our complex system of private and public child care modalities is critical for building a stable, high-quality system that can meet the increased demand that a universal child care system will likely create. Otherwise, the very programs city and state policymakers are relying on today and in the future could well go belly up.

Many of these policies have been championed by legislators and child development experts and advocates for years. This is the year to turn them into State policy.