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NYC Under 3: A Plan to Make Child Care Affordable for New York City Families



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Executive Summary

In New York City today, most parents with young children are engaged in paid work. Both parents are in the labor force in more than half of families with children under six, with even higher rates of labor force participation among single-parent households.¹ Every day, these New Yorkers entrust other people to care for their children, make sure they are healthy and safe, and build a strong foundation for future learning. For thousands of families in New York City, child care is a basic need, but for many, and for families with low or moderate incomes in particular, the high cost of care creates a serious financial burden and leaves few preferred child care options, if any, without risking access to other essentials like housing, health care, food, and transportation.

New York City has invested in universal pre-kindergarten for four-year-olds and taken steps to direct similar investments to three-year-olds, but solutions for addressing the affordability and availability of infant and toddler care remain urgently needed, as they are across the country. This report, by New York City Comptroller Scott M. Stringer, analyzes the current landscape for infant and toddler child care in New York City and makes a series of recommendations aimed at making quality child care more affordable and accessible for families with children under three. Findings outlined in this report include:

- A family's child care bill can be one of their biggest expenses, if not the biggest. **A space in a child care center for an infant in New York City costs over \$21,000 per year—more than three times as much as in-state tuition at The City University of New York** and exceeding median rent in every borough.
- **Center-based care for an infant would consume more than two-thirds (68 percent) of the income of a single parent working full-time at the minimum wage**, leaving less than \$850 each month for rent, food, utilities, and other necessities. Family day care, care provided in a residence, would eat up one-third of this family's income.
- Child care centers and family day care providers currently have capacity for only 22 percent of children under two in the city. **Child care centers, generally located in higher-income communities, have capacity for only 6 percent of children under two**, while family day care providers, concentrated in lower-income neighborhoods, can accommodate another 16 percent of children under two.
- **Nearly half of all community districts in the city meet the definition of an infant care desert**, neighborhoods with a ratio of child care capacity to children of less than 20 percent. In the ten neighborhoods with the least capacity, among them

Tottenville, Great Kills, and Annadale in Staten Island, Bushwick in Brooklyn, and Sunnyside and Woodside in Queens, there are more than 10 times as many infants as there are available child care spaces.

- Child care providers make up an overwhelmingly women-led, low-wage workforce. In New York City, **93 percent of employed child care workers are women, and one in four (25 percent) live in poverty**, while more than half (53 percent) have incomes low enough to qualify for a child care subsidy.
- Public funding to help families – and providers – offset the costs of child care is woefully inadequate. **About one in seven infants and toddlers in families income-eligible for child care assistance actually receives a subsidy**, largely due to lack of funding. While an estimated 45 percent of three- and four-year-olds in the city are in publicly funded care, only 7 percent of all infants and toddlers are.

When families are unable to access affordable child care, parents, children, businesses, and whole communities suffer. Lack of quality child care breeds job instability, harms children’s development, and likely drives families out of the city. Taxpayers contribute relatively little toward infant and toddler care, but existing research suggests they do pay heavily over time for the consequences of not doing so, in the form of increased use of public assistance, remedial education, crime, unemployment, and poor health outcomes. On the other hand, researchers have estimated that society can reap an economic return of over \$8 for every \$1 spent on high-quality early childhood education.² Even cost-benefit studies that have found more modest economic returns show that children’s lifetime gains exceed the cost of the programs.³

A mix of federal, state, and City funding exists to help families afford child care in the form of subsidies and tax credits, but the current system reaches only a fraction of eligible low-income families in need and does little to address the financial burden of care for families with moderate incomes. In New York City, families with income up to 200 percent of poverty (about \$50,000 for a family of four) are eligible for subsidized child care, but for those families who do utilize assistance, the required copayments can be as high as 17 percent of a family’s income, making the benefit itself unaffordable.

Children’s advocates and economic justice organizers alike have long called for greater attention to be paid to care during a child’s earliest years, and recently, a small number of jurisdictions have responded. In June 2018, San Francisco voters approved a ballot measure that would direct new tax revenue to subsidized child care for young children.⁴ And in September 2018, the District of Columbia passed a bill that, if funded, would dramatically expand access to subsidized care to children under three over the next decade.⁵ New York City can and should be next.

To address the need today and place New York City on a path toward making child care a truly public good, Comptroller Stringer proposes **NYC Under 3**, a plan to make child care affordable for New York City families with infants and toddlers. When fully phased in, NYC Under 3 would represent the country’s largest municipal-level expansion of child care assistance for families with children under three. The proposal’s recommendations to address the related goals of child care affordability, accessibility, and quality include:

1. *Affordability: Lowering families’ contributions toward child care and extending child care assistance to working families with incomes up to 400 percent of poverty (about \$100,000 annually for a family of four).*

Under the Comptroller’s proposal, families’ contributions toward the cost of care would be based on a sliding scale, and families would pay up to a set portion of their income. Fees would range from zero percent of family income for lower income families, to 8 percent for families up to 200 percent of poverty, and rise to a maximum of 12 percent for families at 400 percent of poverty. When fully phased in and assistance is expanded to families at the upper income limit (about \$100,000 annually for a family of four), the proposal is expected to more than triple the number of children in City-supported care, benefiting an estimated 84,000 children, including more than 34,000 children who are not currently in paid care.

New York City families would see their out-of-pocket expenses for child care dramatically decrease. A family of four with one child under three and income at about 200 percent of poverty, or just over \$50,000 annually, would pay a maximum of around \$4,000 a year for child care, less than half what that same family would pay today, if they had access to assistance.

2. *Accessibility: Dedicating funding for child care start-up and expansion grants and making a capital commitment of \$500 million over five years to support the construction and renovation of child care facilities.*

To address child care capacity, the Comptroller’s proposal includes offering start-up and expansion grants to child care providers poised to add seats for infants and toddlers. Grants would be competitive, with priority given to providers in neighborhoods with a significant income-eligible population and limited supply of child care. Additionally, the Comptroller proposes a \$500 million capital commitment over five years to build space for infants and toddlers. City-owned sites would be targeted first for development of new child care facilities.

3. *Quality: Increase payments to child care providers and create a fund to expand access to early childhood education training, professional development, and scholarships.*

In year one of the proposal, the Comptroller calls for at least \$50 million to increase reimbursement for providers currently serving infants and toddlers, lower family

contributions, and fund a cost estimation study, which would determine what reimbursement rates should be to support quality child care and living wages for child care workers. As part of this process, wage standards would be established that link attainment of credentials to pay increases and provide parity with public school teachers with the same qualifications. Funding would be dedicated each year to subsidize the cost of meeting training requirements, expand child care providers' access to professional development and coaching, and support education scholarships.

The Comptroller's Office envisions that NYC Under 3 would be phased in over a period of six years, with a larger share of funding going toward efforts to address existing flaws in the system and to build the supply of quality care in the initial years. In year one, total spending would be about \$180 million, with about 70 percent of funds dedicated to grants to child care providers, capital debt service, and the fund for training and quality improvement. When fully implemented, the total annual cost is estimated to be roughly \$660 million. Given that child care is essential for parents to enter or stay in the workforce, the Comptroller proposes paying for the program with revenue from a modest child care payroll tax on private employers in New York City, which would exempt all businesses with payroll under \$2.5 million annually, about 95 percent of firms. The proposed payroll tax would be applied quarterly on a graduating scale.

By targeting support to low- and moderate-income families with infants and toddlers, NYC Under 3 would help stabilize child care for those parents facing the greatest barriers to maintaining that care and enable more families to afford formal child care arrangements for the first time. In addition, families would have more resources to meet other basic needs, build savings, and pursue education and job opportunities, which would in turn foster greater economic stability. Indeed, based on the expected increase in child care participation rates, the Comptroller's Office estimates that maternal employment would increase by about 10 percentage points for eligible families. These newly employed parents would contribute approximately \$540 million annually in earnings plus another \$78 million in Federal and State Earned Income Tax Credits to the New York City economy.

Access to affordable child care is a fundamental economic justice issue, one that has been ignored for too long. By taking steps to develop an affordable, accessible, and quality infant and toddler care system, one that supports families and dignity for early childhood education and care workers, as outlined in this report, the City can build economic security for families, a more sustainable workforce, and an even stronger foundation for its youngest children—outcomes that ultimately benefit all New Yorkers.

Affordability, Availability, and Quality of Child Care

In today's economy, the majority of parents are engaged in paid work outside the home. In New York City, both parents are working in more than half (55 percent) of married-couple families with children, while 70 percent of single mothers and 82 percent of single fathers are employed.⁶ A full two-thirds (68 percent) of women with children under six are now in the labor force.⁷ For New York City families, access to child care that is affordable and reliable is a basic need.

At some point in their children's lives, nearly all parents rely on other people to care for their children, starting shortly after they are born, through early childhood, and into their children's elementary school years.⁸ Their choices of caregivers vary, with some parents enrolling children in formal child care and pre-kindergarten programs, others hiring nannies or au pairs, and still others enlisting the support of relatives, friends, and neighbors to cobble together enough hours of care each week. Many use a combination of all of the above. National data indicate that nearly nine in ten (87.7 percent) children under five whose mothers work are in a regular weekly child care arrangement (compared to 61.3 percent of all children under five), and one in four (26.7 percent) rely on multiple caregivers.⁹

A substantial body of research has established that child care offers the promise of much more than basic supervision. Indeed, a child's earliest years are the most consequential time in their development, and child care is an opportunity to nurture critical early socialization and cognitive skills. Child care providers are among children's first teachers. Their labor, which has traditionally been undervalued, not only ensures that New Yorkers can get to work every day but also that the next generation is safe and healthy and equipped for success as they grow. For children in low-income families in particular, access to high-quality child care provides long-term benefits, which extend to their families and communities and accrue over time: improved health and academic outcomes, increased earnings and economic potential as adults, and reductions in later use of costly remedial education and public assistance.¹⁰

It was with this appreciation for the importance of early childhood education that New York City established Pre-K for All and began offering free, full-day pre-kindergarten to all four-year-olds during the 2015-2016 school year. And in April 2017, Mayor de Blasio announced 3-K for All, a plan to gradually expand universal pre-kindergarten to all three-

year-olds in the city.¹¹ For those families who would have otherwise paid for child care, the expansion of universal pre-kindergarten translated into thousands of dollars in savings annually. But for families with children too young to access these programs and who need child care, the available options remain costly.




Generally, the younger children are, the more expensive paid care is. That is because the regulations associated with providing licensed care for infants and toddlers typically necessitate more initial and ongoing expenses than care for three- and four-year-olds. In addition to the cost of outfitting a space for infants, which requires cribs and changing tables, licensed providers must hire and retain more staff. In New York City, licensed programs must maintain a minimum adult-child ratio of 1:4 or 1:3 for children under one compared to 1:10 for three- and four-year olds, and fewer infants can be cared for in one group or classroom than older children.¹² Due to the expenses associated with infant and toddler care, child care program costs have gone up as the need for paid care has grown. Nationally, the average cost of full-time, center-based infant care now exceeds that of average in-state college tuition.¹³ In New York City, it costs parents more than three times as much as full-time in-state tuition at The City University of New York.¹⁴

Examining Child Care Affordability in New York City

The best available data on child care costs at the local level come from child care market rates published by the New York State Office of Children and Family Services (OCFS) and are used here as a proxy for the cost of infant and toddler care. OCFS conducts market-rate surveys of a sample of child care providers in order to establish the maximum reimbursement rates for subsidized child care in different regions across the state, and the five counties in New York City comprise one grouping.¹⁵ Since 2014, OCFS has established rates at the 69th percentile, which is intended to ensure families who utilize subsidies can afford the tuition of around seven in ten child care programs.¹⁶ The rates used in this report, then, reflect not average costs but what providers are charging for services at the 69th percentile. Importantly, they do not necessarily correspond with or represent what tuition should be to support high-quality services.¹⁷

The Comptroller's Office examined the costs of the two common types of regulated child care programs: center-based, where care is provided in a non-residential location, and family day care, where care is provided in a residence. A third common child care option is informal care, which describes care that is also provided in a home but is license-exempt.

Types of Child Care Arrangements

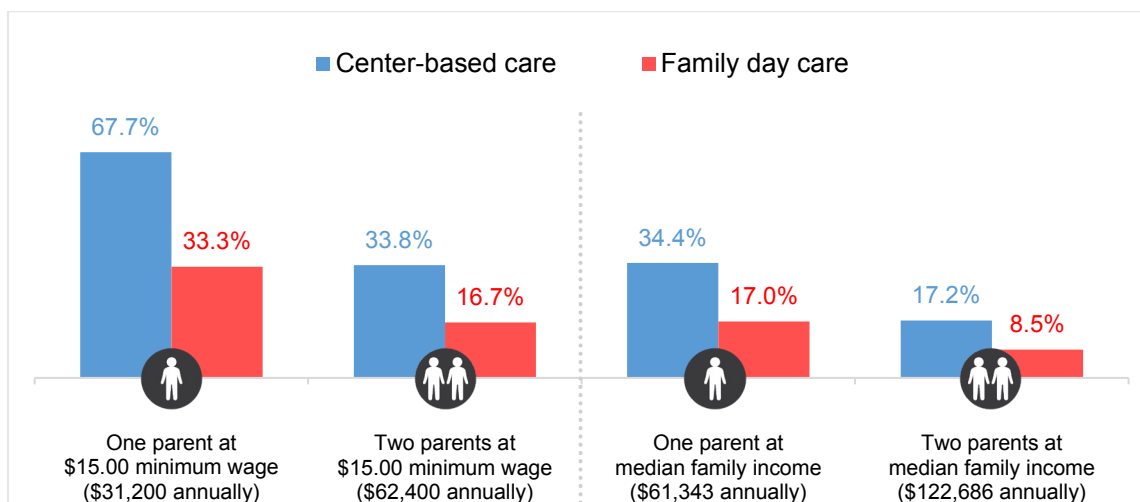
	<p>Center-based care (child care center)</p> <p>Care is provided in a non-residential location to three or more children under six-years-old. Staff must include an educational director, and teachers generally must have a bachelor's degree in early childhood education or related studies or a study plan in place to satisfy the teaching qualifications. Alternative qualifications may be applied to staff of programs caring for children under two-years-old.¹⁸</p>
	<p>Family day care (home-based care)</p> <p>Care is provided in a residence to three or more children who are typically between six-weeks and 12-years-old. Per New York State regulations, at least one caregiver must be present for every two children under two-years-old. Family day care providers may care for up to eight children, if no more than six children are less than school age, while group-family day care providers may care for up to 16 children. Group-family day care providers must have a primary caregiver and at least one assistant. Staff must have at least two years of experience caring for children under six or one year of experience and six hours of training or education in early childhood development.¹⁹</p>
	<p>Informal care</p> <p>Care is provided in a private residence, which may be the home of the child in care, for up to two non-relative children. Providers, who are often friends, family, or neighbors of the children in care, are not required to be licensed. However, in order to participate in and accept payments for subsidized care, providers must meet minimum health and safety standards and be enrolled with a designated legally-exempt caregiver agency.²⁰</p>

As of 2018, when the market-rate survey was last conducted, the annual cost of center-based care at the 69th percentile in New York City was \$21,112 for infants and \$16,380 for toddlers, or \$18,746 on average for children under three.²¹ This is almost double the annual cost of family day care, which averaged \$10,331 for children under three. The difference in costs likely reflects the added overhead to run center-based programs, which are often large commercial properties, serve more children, and generally require more staffing. Family day care providers, on the other hand, often work out of their own homes, so they do not have to pay additional rent; they also tend to not be able to offer as extensive (and expensive) programming.²²

As Chart 1 shows, at \$21,112 a year, center-based infant care would consume more than two-thirds (67.7 percent) of the annual income of a single parent working full-time at the current minimum wage of \$15.00 per hour, leaving less than \$850 each month for rent, food, utilities, and other necessities. Family day care would eat up one-third of this family's income, still well beyond what could be considered affordable. While care is more obtainable for families with two minimum-wage incomes, even two parents with earnings

equivalent to the median family income in New York City, a little over \$60,000 a year, would spend over one-sixth of their combined incomes on center-based child care, underscoring that cost is a barrier for families across income levels.

Chart 1: Ratio of the Cost of Child Care for an Infant to Income



Note: In converting the \$15.00 minimum hourly wage to annual earnings, this analysis assumes full-time work of 40 hours per week, 52 weeks per year.



Source: Comptroller's Office analysis of New York State Office of Children and Family Services, "Child Care Market Rates Advance Notification" (April 29, 2019), https://ocfs.ny.gov/main/policies/external/ocfs_2019/INF/19-OCFS-INF-03.pdf; New York City Department of City Planning, American Community Survey 2016 5-year estimates, <https://www1.nyc.gov/site/planning/data-maps/nyc-population/american-community-survey.page>.

To better understand how unaffordable child care is for families in New York City, it is helpful to consider about how much families should be spending on child care as a proportion of their income. The federal government states that family copayments for the Child Care and Development Fund, the federal child care subsidy program administered by the U.S. Department of Health and Human Services (HHS), should not exceed 7 percent of family income. This is based on historical data showing that, nationally, families' average child care expenditures as a percentage of average family income have remained relatively constant at 7 percent.²³ Applying updated U.S. Census Bureau data and isolating child care costs for New York yields a slightly higher affordability benchmark for child care expenses of 8 percent of family income.²⁴

Applying an affordability benchmark of no more than 8 percent of family income reveals that New York City families would need annual income of \$234,325 to afford center-based infant and toddler care and \$129,138 to afford family day care for an infant or toddler without assistance (see Table 1). The former figure is more than three times the median income of New York City families with children and more than eight times the median income of families headed by single mothers.²⁵ Citywide, 225,000 families with children under three, or 91 percent of families with infants and toddlers, have combined incomes

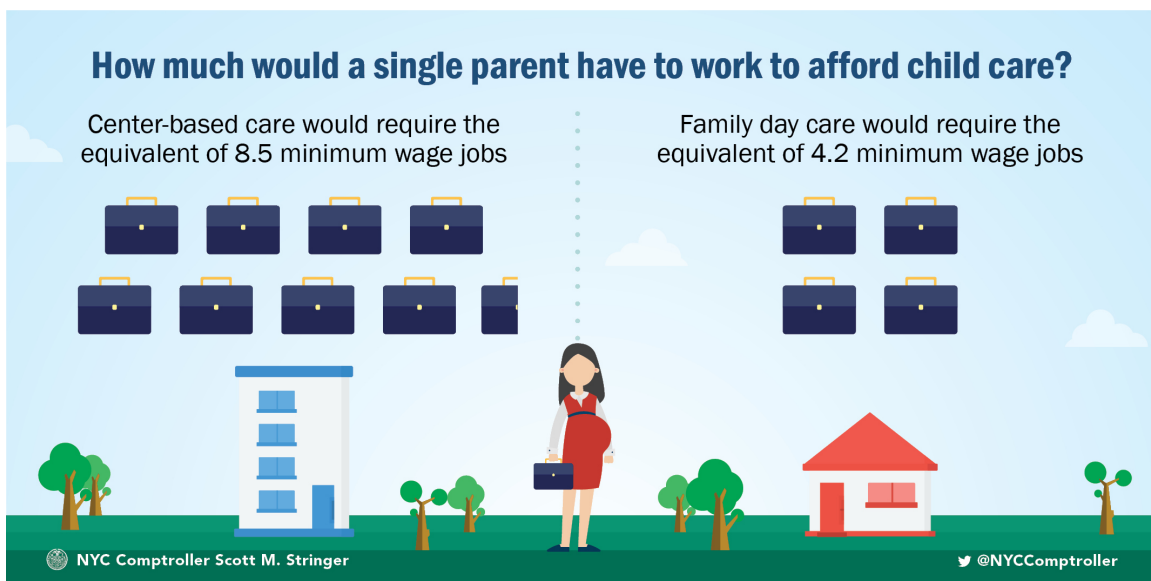
under the affordability benchmark of \$234,325. The majority—185,000 families, or three in four families with children under three—have incomes less than \$129,138.²⁶

Table 1: Cost of Care by Type and Child’s Age

Center-based care		0 - 1 ½ years old	1 ½ - 2 years old	0 - 2 years old
	Annual cost of center-based care	\$21,112	\$16,380	\$18,746
	Family income if annual cost = 8 percent of income	\$263,900	\$204,750	\$234,325
	Child care affordability wage (hourly)	\$126.88	\$98.44	\$112.66
Family day care		0 - 2 years old	2 years old	0 - 2 years old
	Annual cost of family day care	\$10,400	\$10,192	\$10,331
	Family income if annual cost = 8 percent of income	\$130,000	\$127,400	\$129,138
	Child care affordability wage (hourly)	\$62.50	\$61.25	\$62.09

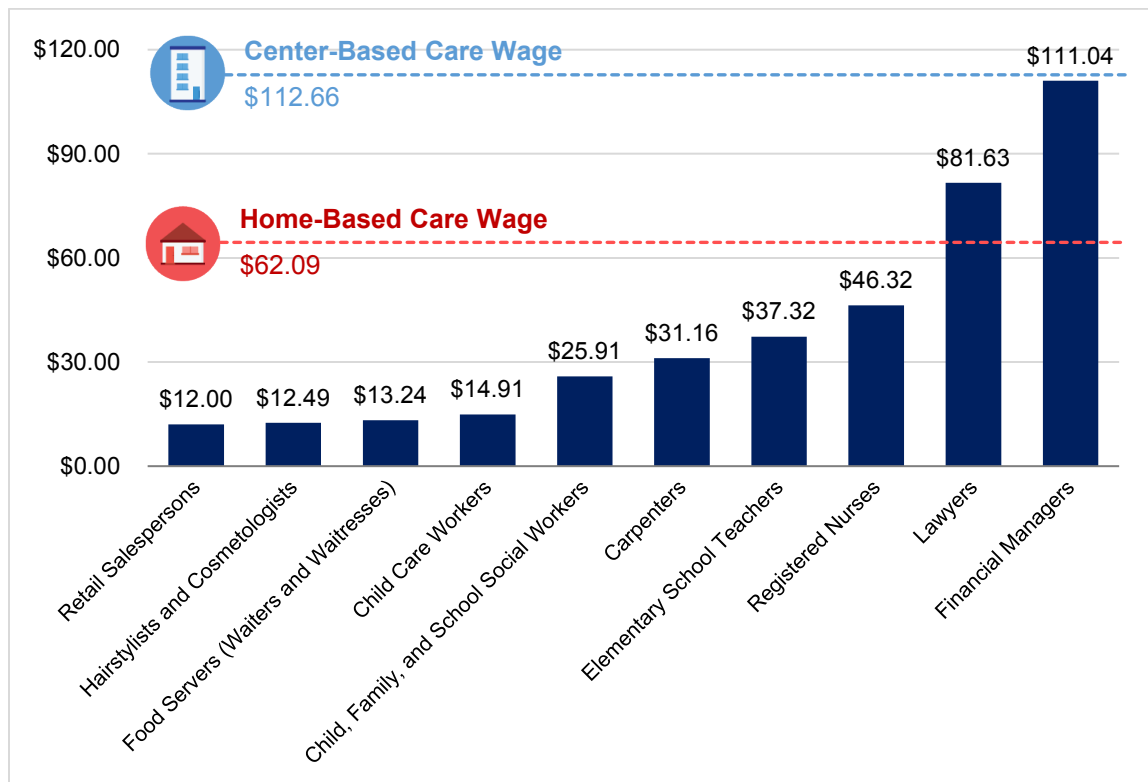
Note: Annual cost of center-based care and family day care for “0-2 Years” reflects weighted average of infant and toddler costs.

Put another way, the child care affordability wage—the combined hourly wage a family would need to afford care without spending more than 8 percent of their income on care—is \$112.66 for center-based care and \$62.09 for family day care.²⁷ This means a single parent would have to work the equivalent of 8.5 full-time minimum-wage jobs to afford to enroll their infant in a child care center. Affording family day care would require the equivalent of 4.2 full-time minimum-wage jobs.



The child care affordability wage for center-based care of \$112.66 exceeds the median hourly wage of the majority of occupational groups in New York City (see Chart 2).²⁸ While New Yorkers who work in higher-paying industries are more likely to have the resources to afford their preferred child care arrangement, most New Yorkers' earnings fall well below the affordability benchmark for both center- and home-based care. With median hourly wages under \$15 an hour, many child care providers would not be able to afford care for their own children.²⁹

Chart 2: "Child Care Affordability" Wage Compared to Median Hourly Wages by Occupation (First Quarter 2018)



Note: Hourly wages were derived from annual wages and assume 40 hours per week, 52 weeks per year. For the Financial Managers category, data reflect mean wage.

Source: New York State Department of Labor, "Occupational Wages for the New York City Region," <https://www.labor.ny.gov/stats/lswage2.asp> (accessed November 15, 2018).


Comparing child care to housing costs, typically considered New Yorkers' largest monthly expense, offers an additional lens through which to view the high cost of care. According to the Care Index, a research collaboration between New America and Care.com, child care costs in the U.S. comprise on average 85 percent of the cost of rent.³⁰ At an annual cost of \$21,112 or \$1,759 per month, market-rate center-based care for infants is equal to 125.2 percent of the citywide median rent (\$1,405), exceeding the cost of rent in every borough.³¹ Home-based infant care is on average just over three-fifths (61.7 percent) the cost of rent, still a significant expense.³²


Identifying New York City’s Child Care Deserts

Calculating New York City’s child care affordability wage confirms what families of young children already know: infant and toddler care is expensive, costing more than most families can reasonably afford. But the cost of tuition is not the only barrier to accessing care. Licensed child care providers with capacity for the youngest children are also in short supply. The Comptroller’s Office compared center- and home-based capacity for infants under two-years-old to the number of births in 2015 and 2016 and found that child care centers have capacity for only 6 percent of infants citywide; licensed home-based providers can accommodate another 16 percent.³³ Overall, then, there is estimated to be roughly one child care space for every five infants in the city.

It is important to note that a child care space is not needed for every child under three. Some parents would choose to stay home to care for their infant, hire a nanny, or leave their child in the care of a close relative, friend, or neighbor, regardless of the availability of licensed care. However, the undersupply of care in many areas of the city does suggest that families have uneven access to the care that is available.

A closer look at center-based infant capacity by neighborhood reveals wide disparities in access, with higher-income communities tending to have greater capacity than lower-income communities. As Map 1 shows, the Murray Hill/Gramercy neighborhood has the highest ratio of center-based infant child care capacity to births (24 percent). The next highest ratio is in Chelsea/Midtown and Brooklyn Heights/Fort Greene, both at 23 percent, followed by Battery Park/Greenwich Village/Soho and Crown Heights North/Prospect Heights at 17 percent. At the other end of the spectrum, there is no center-based capacity for infants in four neighborhoods: Bushwick, Crown Heights South, Pelham Parkway/Morris Park, and Far Rockaway. The ratio is under two percent in 11 neighborhoods. Of the six city neighborhoods with median family income above \$100,000, all rank in the top third of neighborhoods for ratio of capacity to births. This likely reflects a growing preference for center-based infant care—for families who can afford it.

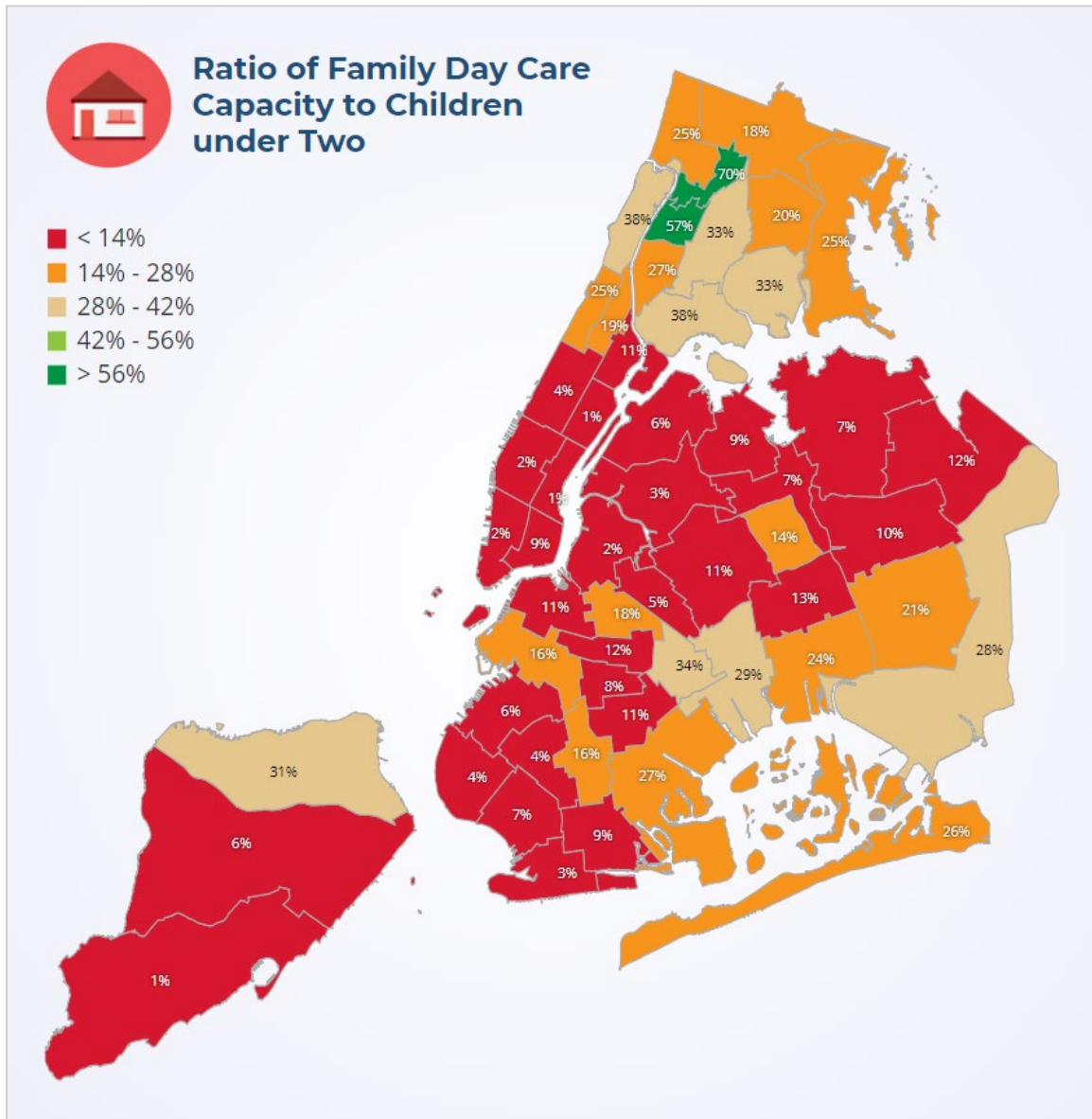
 Neighborhood	Births in 2015 and 2016	Center-based Child Care Capacity	Ratio of Center-based Capacity to Births
Murray Hill, Gramercy & Stuyvesant Town	2,515	611	24%
Chelsea, Clinton & Midtown Business District	3,154	718	23%
Brooklyn Heights & Fort Greene	3,365	766	23%
Battery Park City, Greenwich Village & Soho	3,760	656	17%
Crown Heights North & Prospect Heights	2,653	442	17%
Bedford-Stuyvesant	4,567	599	13%
Chinatown & Lower East Side	2,667	321	12%
Astoria & Long Island City	3,956	469	12%
Hunts Point, Longwood & Melrose	4,944	575	12%
Upper West Side & West Side	5,006	558	11%
East Harlem	3,033	317	10%
Brownsville & Ocean Hill	2,719	277	10%
Upper East Side	5,073	480	9%
Flatbush & Midwood	5,236	422	8%
New Springville & South Beach	2,908	232	8%
Riverdale, Fieldston & Kingsbridge	2,198	166	8%
Park Slope, Carroll Gardens & Red Hook	3,434	231	7%
Bayside, Douglaston & Little Neck	1,428	92	6%
Briarwood, Fresh Meadows & Hillcrest	3,666	232	6%
Co-op City, Pelham Bay & Schuylerville	2,047	126	6%
Central Harlem	3,080	178	6%
Greenpoint & Williamsburg	7,318	414	6%
Bensonhurst & Bath Beach	5,445	239	4%
Queens Village, Cambria Heights & Rosedale	3,321	129	4%
Hamilton Heights, Manhattanville & West Harlem	2,137	79	4%
Belmont, Crotona Park East & East Tremont	5,485	201	4%
Forest Hills & Rego Park	2,856	103	4%
Borough Park, Kensington & Ocean Parkway	10,991	380	3%
Brighton Beach & Coney Island	2,604	87	3%
Bedford Park, Fordham North & Norwood	4,506	145	3%
East Flatbush, Farragut & Rugby	3,873	121	3%
Morris Heights, Fordham South & Mount Hope	4,481	138	3%
East New York & Starrett City	5,365	163	3%
Canarsie & Flatlands	4,518	132	3%
Wakefield, Williamsbridge & Woodlawn	3,420	99	3%
Tottenville, Great Kills & Annadale	4,676	133	3%
Flushing, Murray Hill & Whitestone	5,852	165	3%
Ridgewood, Glendale & Middle Village	3,910	104	3%
Sheepshead Bay, Gerritsen Beach & Homecrest	4,508	111	2%
Port Richmond, Stapleton & Mariners Harbor	3,014	72	2%
Bay Ridge & Dyker Heights	3,823	83	2%
Jamaica, Hollis & St. Albans	5,973	128	2%
Sunset Park & Windsor Terrace	5,163	93	2%
Jackson Heights & North Corona	5,090	84	2%
Howard Beach & Ozone Park	2,580	38	1%
Washington Heights, Inwood & Marble Hill	4,352	64	1%
Sunnyside & Woodside	3,380	49	1%

 Neighborhood	Births in 2015 and 2016	Center-based Child Care Capacity	Ratio of Center-based Capacity to Births
Elmhurst & South Corona	5,216	74	1%
Castle Hill, Clason Point & Parkchester	4,765	42	1%
Concourse, Highbridge & Mount Eden	5,019	38	1%
Richmond Hill & Woodhaven	3,781	16	0%
Far Rockaway, Breezy Point & Broad Channel	2,633	0	0%
Pelham Parkway, Morris Park & Laconia	2,680	0	0%
Crown Heights South, Prospect Lefferts & Wingate	2,934	0	0%
Bushwick	2,590	0	0%
Citywide	219,668	12,192	6%

Source: New York City OpenData, "DOHMH Childcare Center Inspections," <https://data.cityofnewyork.us/Health/DOHMH-Childcare-Center-Inspections/dsg6-ifza/data>; New York City Department of Health and Mental Hygiene, EpiQuery Natality Module (2015 and 2016), <https://a816-healthpsi.nyc.gov/epiquery/Birth/index.html>.


The supply of home-based care also varies substantially by neighborhood; however, providers tend to be concentrated in lower-income communities. Compared to the number of children born in 2015 and 2016, the capacity of home-based providers ranges from one percent in Murray Hill and the Upper East Side, where median household income exceeds \$100,000, to 70 percent in Bedford Park/Fordham North and 57 percent in Morris Heights/Fordham South, neighborhoods with median household income of about \$33,000 and \$24,000, respectively. This disparity reflects the fact that home-based care is a more affordable option on average than center-based care. In addition, some residents in these communities have responded to the demand for affordable child care by launching child care businesses out of their homes.


Map 2: Ratio of Family Day Care Capacity to Children under Two



HIGHEST RATIO: The Bronx neighborhoods of Bedford Park/Fordham North and Morris Heights/Fordham South have the highest ratio of family day care capacity to births at 70 percent and 57 percent, respectively.

LOWEST RATIO: In Murray Hill/Gramercy and the Upper East Side in Manhattan and in Tottenville in Staten Island, family day cares can accommodate only one percent of children under two.

 Neighborhood	Births in 2015 and 2016	Family Day Care Capacity (estimate of children <2)	Ratio of Family Day Care Capacity to Births
Bedford Park, Fordham North & Norwood	4,506	3,139	70%
Morris Heights, Fordham South & Mount Hope	4,481	2,555	57%
Hunts Point, Longwood & Melrose	4,944	1,903	38%
Washington Heights, Inwood & Marble Hill	4,352	1,647	38%
Brownsville & Ocean Hill	2,719	932	34%
Castle Hill, Clason Point & Parkchester	4,765	1,588	33%
Belmont, Crotona Park East & East Tremont	5,485	1,802	33%
Port Richmond, Stapleton & Mariners Harbor	3,014	925	31%
East New York & Starrett City	5,365	1,580	29%
Queens Village, Cambria Heights & Rosedale	3,321	938	28%
Canarsie & Flatlands	4,518	1,212	27%
Concourse, Highbridge & Mount Eden	5,019	1,344	27%
Far Rockaway, Breezy Point & Broad Channel	2,633	689	26%
Co-op City, Pelham Bay & Schuylerville	2,047	518	25%
Riverdale, Fieldston & Kingsbridge	2,198	543	25%
Hamilton Heights, Manhattanville & West Harlem	2,137	527	25%
Howard Beach & Ozone Park	2,580	620	24%
Jamaica, Hollis & St. Albans	5,973	1,263	21%
Pelham Parkway, Morris Park & Laconia	2,680	528	20%
Central Harlem	3,080	597	19%
Wakefield, Williamsbridge & Woodlawn	3,420	618	18%
Bedford-Stuyvesant	4,567	800	18%
Park Slope, Carroll Gardens & Red Hook	3,434	557	16%
Flatbush & Midwood	5,236	830	16%
Forest Hills & Rego Park	2,856	400	14%
Richmond Hill & Woodhaven	3,781	492	13%
Bayside, Douglaston & Little Neck	1,428	177	12%
Crown Heights North & Prospect Heights	2,653	318	12%
East Flatbush, Farragut & Rugby	3,873	444	11%
East Harlem	3,033	344	11%
Ridgewood, Glendale & Middle Village	3,910	436	11%
Brooklyn Heights & Fort Greene	3,365	367	11%
Briarwood, Fresh Meadows & Hillcrest	3,666	381	10%
Jackson Heights & North Corona	5,090	470	9%
Sheepshead Bay, Gerritsen Beach & Homecrest	4,508	414	9%
Chinatown & Lower East Side	2,667	234	9%
Crown Heights South, Prospect Lefferts & Wingate	2,934	243	8%
Elmhurst & South Corona	5,216	364	7%
Bensonhurst & Bath Beach	5,445	365	7%
Flushing, Murray Hill & Whitestone	5,852	383	7%
Astoria & Long Island City	3,956	253	6%
New Springville & South Beach	2,908	183	6%
Sunset Park & Windsor Terrace	5,163	300	6%
Bushwick	2,590	120	5%
Borough Park, Kensington & Ocean Parkway	10,991	468	4%
Bay Ridge & Dyker Heights	3,823	159	4%
Upper West Side & West Side	5,006	178	4%

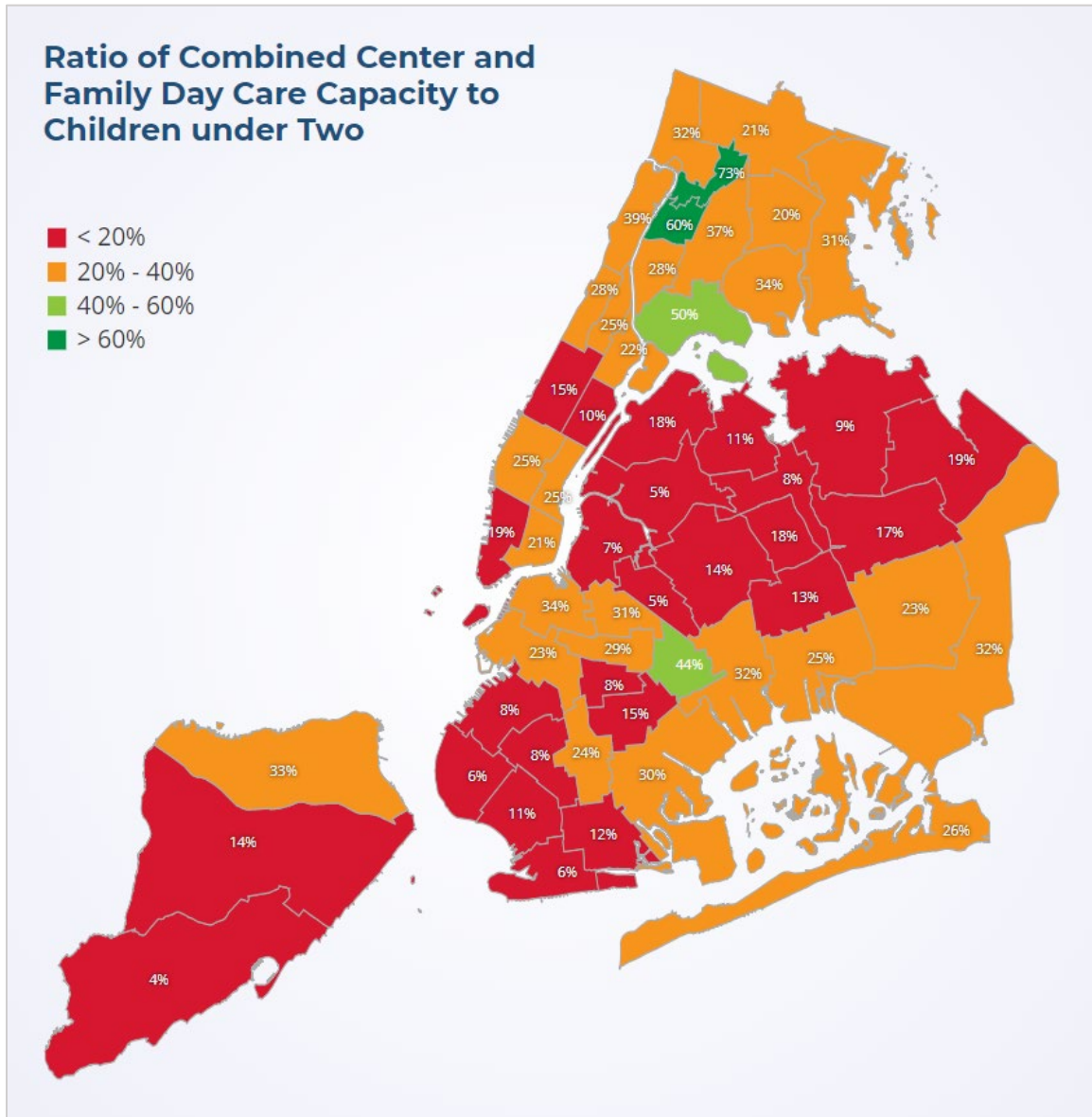
 Neighborhood	Births in 2015 and 2016	Family Day Care Capacity (estimate of children <2)	Ratio of Family Day Care Capacity to Births
Sunnyside & Woodside	3,380	118	3%
Brighton Beach & Coney Island	2,604	80	3%
Chelsea, Clinton & Midtown Business District	3,154	59	2%
Greenpoint & Williamsburg	7,318	128	2%
Battery Park City, Greenwich Village & Soho	3,760	59	2%
Tottenville, Great Kills & Annadale	4,676	60	1%
Upper East Side	5,073	51	1%
Murray Hill, Gramercy & Stuyvesant Town	2,515	21	1%
Citywide	219,668	35,714	16%

Source: New York State Office of Children and Family Services Child Care Regulated Programs, <https://data.ny.gov/Human-Services/Child-Care-Regulated-Programs/cb42-qumz/data>; New York City Department of Health and Mental Hygiene, EpiQuery Natality Module (2015 and 2016), <https://a816-healthpsi.nyc.gov/epiquery/Birth/index.html>.

The Comptroller’s Office combined the number of licensed center-based and home-based child care spaces in each neighborhood to identify “child care deserts,” or communities with limited or no access to care.³⁴ According to national U.S. Census Bureau data, about one in five children under three are in an organized child care center or family day care.³⁵ Therefore, the Comptroller’s Office defined child care deserts as any neighborhoods with a ratio of provider capacity to births of less than 20 percent.³⁶ Applying this definition reveals that 25 neighborhoods, or just under half of all neighborhoods in New York City, are infant care deserts. In 11 communities, seven of which are in Brooklyn, there are more than ten times as many infants as there are available child care spaces. Capacity is most limited in Tottenville, Great Kills, and Annadale in Staten Island, where providers can accommodate only four percent of children under two, and in Bushwick in Brooklyn and Sunnyside and Woodside in Queens, where there are only enough spaces for five percent of children under two.



Based on this analysis and U.S. Census Bureau data, overall, roughly 4 million New Yorkers, including 100,000 children under two, live in an infant care desert.³⁷ If the ten highest-income neighborhoods in the city are excluded—communities in which families facing a shortage of licensed care are more likely to employ nannies—20 neighborhoods with licensed child care capacity under 20 percent still remain. Roughly 3 million New Yorkers, including about 80,000 children under two, live in these communities.³⁸



Map 3: Ratio of Combined Center and Family Day Care Capacity to Children under Two



HIGHEST RATIO: Licensed capacity for infants is highest in Bedford Park/Fordham North and Morris Heights/Fordham South in the Bronx, due to the relatively high proportion of in-home providers in these communities.

LOWEST RATIO: Overall capacity is most limited in Tottenville/Great Kills in Staten Island, Bushwick in Brooklyn, and Sunnyside/Woodside in Queens, where providers can accommodate fewer than five percent of children under two.

  Neighborhood	Births in 2015 and 2016	Combined Center- and Home-based Capacity	Ratio of Center- and Home-based Capacity to Births
Bedford Park, Fordham North & Norwood	4,506	3,284	73%
Morris Heights, Fordham South & Mount Hope	4,481	2,693	60%
Hunts Point, Longwood & Melrose	4,944	2,478	50%
Brownsville & Ocean Hill	2,719	1,209	44%
Washington Heights, Inwood & Marble Hill	4,352	1,711	39%
Belmont, Crotona Park East & East Tremont	5,485	2,003	37%
Castle Hill, Clason Point & Parkchester	4,765	1,630	34%
Brooklyn Heights & Fort Greene	3,365	1,133	34%
Port Richmond, Stapleton & Mariners Harbor	3,014	997	33%
East New York & Starrett City	5,365	1,743	32%
Riverdale, Fieldston & Kingsbridge	2,198	709	32%
Queens Village, Cambria Heights & Rosedale	3,321	1,067	32%
Co-op City, Pelham Bay & Schuylerville	2,047	644	31%
Bedford-Stuyvesant	4,567	1,399	31%
Canarsie & Flatlands	4,518	1,344	30%
Crown Heights North & Prospect Heights	2,653	760	29%
Hamilton Heights, Manhattanville & West Harlem	2,137	606	28%
Concourse, Highbridge & Mount Eden	5,019	1,382	28%
Far Rockaway, Breezy Point & Broad Channel	2,633	689	26%
Howard Beach & Ozone Park	2,580	658	25%
Central Harlem	3,080	775	25%
Murray Hill, Gramercy & Stuyvesant Town	2,515	632	25%
Chelsea, Clinton & Midtown Business District	3,154	777	25%
Flatbush & Midwood	5,236	1,252	24%
Jamaica, Hollis & St. Albans	5,973	1,391	23%
Park Slope, Carroll Gardens & Red Hook	3,434	788	23%
East Harlem	3,033	661	22%
Wakefield, Williamsbridge & Woodlawn	3,420	717	21%
Chinatown & Lower East Side	2,667	555	21%
Pelham Parkway, Morris Park & Laconia	2,680	528	20%
Battery Park City, Greenwich Village & Soho	3,760	715	19%
Bayside, Douglaston & Little Neck	1,428	269	19%
Astoria & Long Island City	3,956	722	18%
Forest Hills & Rego Park	2,856	503	18%
Briarwood, Fresh Meadows & Hillcrest	3,666	613	17%
Upper West Side & West Side	5,006	736	15%
East Flatbush, Farragut & Rugby	3,873	565	15%
New Springville & South Beach	2,908	415	14%
Ridgewood, Glendale & Middle Village	3,910	540	14%
Richmond Hill & Woodhaven	3,781	508	13%
Sheepshead Bay, Gerritsen Beach & Homecrest	4,508	525	12%
Bensonhurst & Bath Beach	5,445	604	11%
Jackson Heights & North Corona	5,090	554	11%
Upper East Side	5,073	531	10%
Flushing, Murray Hill & Whitestone	5,852	548	9%
Elmhurst & South Corona	5,216	438	8%
Crown Heights South, Prospect Lefferts & Wingate	2,934	243	8%

  Neighborhood	Births in 2015 and 2016	Combined Center- and Home-based Capacity	Ratio of Center- and Home-based Capacity to Births
Borough Park, Kensington & Ocean Parkway	10,991	848	8%
Sunset Park & Windsor Terrace	5,163	393	8%
Greenpoint & Williamsburg	7,318	542	7%
Brighton Beach & Coney Island	2,604	167	6%
Bay Ridge & Dyker Heights	3,823	242	6%
Sunnyside & Woodside	3,380	167	5%
Bushwick	2,590	120	5%
Tottenville, Great Kills & Annadale	4,676	193	4%
Citywide	219,668	47,906	22%

Source: New York City OpenData, “DOHMH Childcare Center Inspections,” <https://data.cityofnewyork.us/Health/DOHMH-Childcare-Center-Inspections/dsg6-ifza/data>; New York State Office of Children and Family Services Child Care Regulated Programs, <https://data.ny.gov/Human-Services/Child-Care-Regulated-Programs/cb42-qumz/data>; New York City Department of Health and Mental Hygiene, EpiQuery Natality Module (2015 and 2016), <https://a816-healthpsi.nyc.gov/epiquery/Birth/index.html>.



While the availability of licensed care shows that families’ options are generally limited, what the data do not and cannot capture are that these options are further shaped and reduced by other factors families weigh when selecting a provider, including access to transportation, a need for culturally responsive care, and proximity to workplaces, among others. Moreover, the Comptroller’s analysis only shows available spaces and not available hours in a day, given data limitations. But families who need access to child care during ‘nontraditional’ hours, such as nights and weekends, have even fewer center- and home-based options and would be more likely to use informal care arrangements as a result.³⁹ The existence of a child care space does not reflect its relative quality either, as discussed in more detail below.

Assessing Child Care Quality

Unlike with child care affordability and accessibility, little data exist on the overall quality of care in the city, despite the fact that surveys show parents are concerned about finding high-quality early learning environments for their children, and providers are eager to develop higher quality programming.⁴⁰ Beyond the State’s and City’s licensing requirements, which outline minimum provider qualifications and training, there is no universally applied standard or rating system. What measures of quality do exist, such as accreditation, serve to indicate certain features of individual programs but do not capture all quality programs in the city. For example, only a small proportion of centers and home-based programs in New York are accredited by two of the main national early childhood education accrediting agencies, the National Association for the Education of Young Children (NAEYC) and the National Association for Family Child Care (NAFCC).⁴¹ However, the process of becoming an accredited program and then maintaining that status requires capacity and resources that many providers simply cannot spare. Indeed, child care is labor-intensive, especially for infants and toddlers, making it an expensive proposition not only for families but also for providers.

Over the last two decades, states have moved to adopt child care Quality Rating and Improvement Systems, or QRIS, in order to better measure quality, help providers meet higher quality standards, and market their programs. Forty-four states, including New York, now have a QRIS, compared to only 16 a decade earlier.⁴² As in other states, New York’s QRIS, QUALITYstarsNY, assesses child care quality against a set of best practices in early childhood development, providing programs with a rating of up to five stars. However, QUALITYstarsNY is underdeveloped relative to some other state QRIS due to lack of public funding, and providers are not mandated to participate. As of September 2018, a total of 147 center-based and 67 home-based child care programs in New York City—214 total—were participating in the QRIS, or an estimated 2.4 percent of center and family day care programs in the city.⁴³ None of the programs’ ratings have been made public.

New York City Providers Participating in QUALITYstarsNY

Borough	 Center-Based Care	 Home-Based Care	Total
Bronx	22	15	37
Brooklyn	64	27	91
Manhattan	25	6	31
Queens	24	3	27
Staten Island	12	16	28
Citywide	147	67	214

Source: QUALITYstarsNY, “Who We Serve,” <http://qualitystarsny.org/discover-serve.php> (data current as of September 2018).

Data related to known components of quality early childhood settings, in particular adequate compensation for providers, suggest that child care workers in New York City are having to overcome significant constraints on quality, not unlike most child care workers across the country. The child care workforce has historically been a low-wage workforce, and this remains the case in New York City. According to a 2017 report by the Restore Opportunity Now campaign, median hourly wages of women working in child care in the private sector are about one-third below the median wages of women in the private sector overall.⁴⁴ Analysis of U.S. Census Bureau data shows one in four (25 percent) employed child care workers in the city live in poverty, and more than half (53 percent) have incomes that would qualify them for subsidized child care.⁴⁵ These providers are predominantly women (93 percent), and overwhelmingly women of color.⁴⁶

The low compensation among the workforce generally means that opportunities for professional development—those that would improve the quality of care but might also offer a path for career advancement—are unworkable for many child care providers without

significant financial assistance. Training and workshops, coaching and mentoring, and credential or degree programs in which providers can develop foundational and specialized knowledge in early childhood development are critical to gaining the most out of children’s earliest years but can cost thousands of dollars. Fortunately, there are a number of organizations in New York City that offer no- or low-cost professional support, and New York State, through OCFS, funds the Educational Incentive Program (EIP), which provides scholarships to eligible child care providers to help offset the cost of approved training and education.⁴⁷ The maximum annual EIP scholarship in 2019 is \$2,000 for college courses and \$1,250 for training toward a Child Development Associate (CDA) Credential. Publicly funded resources for training may be particularly beneficial for home-based providers, who tend to be disconnected from the institutional support that larger centers, or organizations overseeing many centers, may offer.

Disparities in compensation and access to resources like professional development undermine the quality of child care services by reinforcing recruitment and retention problems in certain parts of the system. National data indicate that providers who serve infants and toddlers earn less than counterparts who teach pre-kindergarten children at every level of education, which may be a disincentive to serve young children.⁴⁸ In New York City, salary disparities between equally qualified teachers in City-contracted community-based organizations and in New York City public schools have driven staff to leave positions in community-based programs for higher-paying jobs at the Department of Education.⁴⁹ Such poor retention and high job turnover is harmful not only to the sustainability of child care programs but also for sustaining quality in early childhood education, where continuity of caregivers is linked to healthy child development and with resources for training and quality improvement limited.



Impacts of Child Care Access

Clearly, the affordability and availability of infant and toddler care remains a severe challenge in New York City, as it is in the rest of the country as well. A nationally representative survey of parents with young children—conducted by NPR, the Robert Wood Johnson Foundation, and the Harvard T.H. Chan School of Public Health—found that two-thirds (67 percent) of parents have limited child care options, with one-fifth (19 percent) stating they only have one.⁵⁰ Equally unsurprising is that nearly three in four (71 percent) parents report child care has caused serious financial problems for their family.⁵¹ A Care.com survey on child care spending found that one in four parents has gone in to debt, or further in debt, to pay for child care.⁵² How parents navigate child care decisions—whether to pay for care and, if so, what type of care to use—has both short- and long-term implications for their family’s economic security. But the constraints on these decisions can also impact their children’s health and development, as a growing body of research now shows.

Parental Employment and Earnings

Access to reliable child care is closely tied to job stability. A 2013 Campaign for Children survey of more than 5,700 parents in New York City found that the vast majority (95 percent) rely on child care programs to be able to work.⁵³ The inverse—that unreliable child care breeds job instability—is also true. For low-income families, who are more likely to work in sectors with fewer job protections, where they are paid by the hour and have limited sick or personal leave, unreliable or unstable child care can be especially costly. Missing work when child care arrangements fall through can lead to the loss of their jobs and their families’ only source of income. Moreover, lapses in child care not only create economic uncertainty for families in the short term but can also add up to lower wealth over a lifetime and a greater likelihood of living in or near poverty in old age.⁵⁴

Although child care enables parents to work, the price tag can also have a perverse impact on employment. This is especially the case for secondary earners, for whom it may be more cost-effective in the short term to provide care themselves than to work and pay for child care. According to Care.com’s survey, nearly one in four (23 percent) parents switch from a full-time to a part-time schedule or become a stay-at-home parent to save on child care.⁵⁵ While such an arrangement may solve the immediate problem of affording child care, the long-term costs are significant—and gendered. As women are more likely than men to be secondary earners and to assume caregiving responsibilities, women are more likely than men to forego paid work to care for children full-time.⁵⁶ In her 2001 book *The Price of*

Motherhood Ann Crittenden famously estimated that a mother’s decision to leave the workforce to provide care costs on average \$1 million in lost and reduced earnings over her lifetime. This “Mommy Tax,” as coined by Crittenden, and women’s persistently disproportionate share of unpaid care work remain major drivers of the gender wage gap today.⁵⁷

What does it really cost to leave the workforce to care for a child?

The average age of first-time mothers in New York City is 28.⁵⁸ At that age, according to a tool developed by the Center for American Progress, a new mother making \$30,000 a year—about half the median income of New York City families—will lose an estimated \$275,000 in wages, retirement assets, and benefits over her lifetime if she leaves the workforce to provide care for her child until she turns three.⁵⁹ Market-rate center-based care over the same three-year period would cost around \$56,000, more than half her total salary but one-fifth her potential lost income.⁶⁰



Since 2000, women’s labor force participation has fallen in the U.S. while it has risen in other Organization for Economic Cooperation and Development (OECD) member countries, including Canada, the United Kingdom, and France, where mothers have access to more generous leave and subsidized child care programs.⁶¹ A recent analysis attributed five percent of the decrease in overall women’s employment and 13 percent of the decrease in employment among mothers with children under five between 1990 and 2010 to the rising cost of child care.⁶² In total, U.S. families give up \$8.3 billion in lost wages each year because of a lack of child care, according to the Center for American Progress.⁶³ This does not account for the costs to cities and states in lost tax revenue.

Child Development and Wellbeing

Young children’s cognitive, physical, and socioemotional development is highly influenced by their early environments and relationships. Nurturing and responsive infant and toddler care is vital, particularly given the pace at which children’s brains grow; by age three, more than 80 percent of brain development is already complete.⁶⁴ Yet, the high cost and inaccessibility of infant and toddler care can drive families to use child care arrangements that may be of a lower quality or less reliable than they would otherwise choose. For example, in unregulated environments, the ratio of providers to children may be too low for caregivers to provide safe, attentive care. This disadvantages children in the short term and, as skill begets skill, can lead to persistent achievement gaps.⁶⁵

Low-income families are more likely than families with more moderate means to experience adverse early childhood environments. Developmental gaps have indeed been found to emerge across socioeconomic lines. A 2009 analysis of nationally representative data by Child Trends found gaps in cognitive, social, and health outcomes between children in families below and above 200 percent of poverty as early as nine months old, with disparities growing by age two.⁶⁶ Eighty-eight percent of infants in families below 200 percent of poverty were found to have multiple risk factors for poor outcomes.⁶⁷ That meaningful developmental gaps are evident in infancy further underscores the need for high-quality care before pre-kindergarten.⁶⁸

Longitudinal studies confirm that children from low-income backgrounds make significant developmental gains in high-quality early childhood education programs, and that the individual and social benefits extend into adulthood.⁶⁹ One of the most well-known studies, the Abecedarian Project, found that at age 21, those who had received a high-quality early education program from birth to age five scored higher on cognitive tests, were more likely to have gone to college or have a skilled job, and were less likely to have been a young parent compared to those who had not been in the program.⁷⁰ At age 30, the program participants were more likely to have been consistently employed full-time and less likely to have utilized public assistance, indicating that they experienced greater financial stability as adults.⁷¹ Reductions in crime and in the use of costly remedial education and public assistance, demonstrated in an extensive body of early education research, illustrate that high-quality child care benefits whole communities and multiple generations.⁷² **Indeed, researchers have estimated that society can reap an economic return of over \$8 for every \$1 spent on high-quality early childhood education.**⁷³ Even cost-benefit studies that have found more modest economic returns show that children’s lifetime gains exceed the cost of the programs.⁷⁴

Calling New York City Home

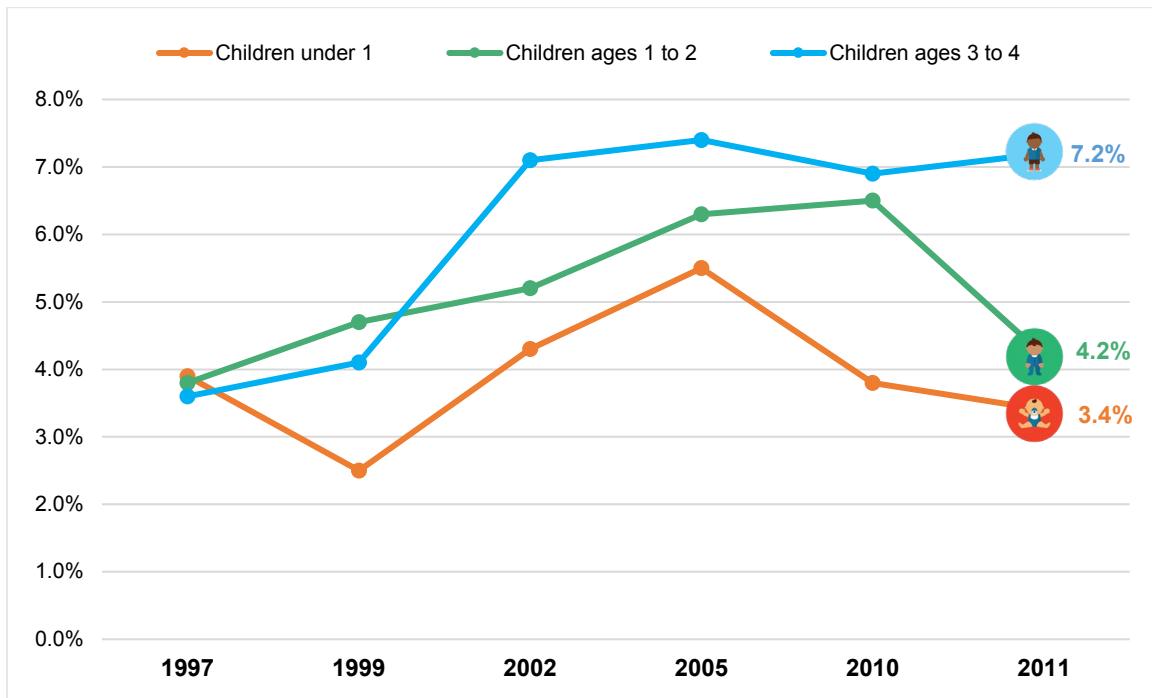
Child care expenses will likely alter the demographics of New York City in the years to come, if they have not already. A 2017 poll commissioned by the Citizens' Committee for Children of New York found that 76 percent of New York City parents worry about being able to afford to raise a family in the city, and nearly half (44 percent) have considered moving outside of the city to be able to better afford care. Communities of color appear to feel this pressure more acutely; while less than one-third (29 percent) of white respondents state that they have considered moving, more than half (51 percent) of Black respondents and three in four (74 percent) Latinx respondents do.⁷⁵ Not all prospective parents who contemplate leaving the city will choose to or have the resources or ability to do so, but child care is undoubtedly a major driver of families' decisions regarding where to live.



Child Care Assistance in New York City

In the U.S., families shoulder the majority of the cost of child care, especially for infants and toddlers. As of 2011, parents of only 3.4 percent of children under one and 4.2 percent of one- and two-year old children received government assistance—federal, state, or local—to help pay for child care (see Chart 3).⁷⁶ A patchwork system of federal, state, and local funding does exist to help bring down the child care to income ratio and provide families with more than one child care option, but resources are limited.⁷⁷

Chart 3: Percent of Children Under Five in U.S. Whose Families Receive Child Care Assistance



Source: Lynda Laughlin, *Who's Minding the Kids? Child Care Arrangements: Spring 2011* (2013), Current Population Reports, U.S. Census Bureau, Washington, DC, <https://www2.census.gov/library/publications/2013/demo/p70-135.pdf>.

While the types of child care assistance are generally the same throughout the country, jurisdictions set different eligibility guidelines. In New York City, fully or partially subsidized child care is available to eligible low-income families and families receiving cash assistance; in addition, families with income below \$30,000 are eligible for a refundable tax credit, the New York City Child Care Tax Credit. For higher-income families with infants and toddlers, assistance is limited to modest federal and state child care tax credits.

Subsidized Care

Families may access subsidized child care through enrollment in one of the City’s contracted center- or home-based child care programs, EarlyLearn NYC, or by obtaining a voucher, which can be used to pay for care in a center, family day care, or by an informal provider. In New York City, both types of subsidized child care are funded with a mix of federal, state, and City dollars, and families seeking care must therefore meet all of the applicable federal, state, and local eligibility requirements. Importantly, the federal grant programs Head Start and the Child Care and Development Fund (CCDF), the primary source of child care funding, are means-tested, and the availability of assistance is subject to annual appropriations by Congress.

Federal law and HHS regulations give states wide flexibility to establish CCDF program eligibility rules, but income eligibility is capped at 85 percent of state median income, equal to around \$78,000 for a family of four in New York.⁷⁸ New York State restricts eligibility further. State law requires local jurisdictions to provide child care subsidies to families receiving or transitioning from cash assistance first, and if additional funding is

available, localities may then make subsidies available to families with income up to 200 percent of poverty who meet additional programmatic or categorical eligibility rules, including being engaged in work or education, experiencing homelessness, or having a protective services need for care.⁷⁹ However, CCDF has never been funded at a level sufficient to serve all those eligible, even when supplemented with other funding sources.⁸⁰

In administering child care subsidies, New York City uses the state maximum income eligibility limit of 200 percent of poverty (about \$50,000 for a family of four).⁸¹ But families above 100 percent of poverty have tended to comprise a small share of those served. As of 2015, 90 percent of children in subsidized care were in families between zero and 130 percent of poverty.⁸² While the number of children utilizing subsidized care at any given time varies, as families transition out of programs and become newly eligible or ineligible, overall enrollment has remained relatively steady since Fiscal Year 2014, with roughly 30,000 children enrolled in contracted EarlyLearn NYC programs and voucher enrollment at about 67,000.⁸³

New York Child Care Regulations

Families guaranteed a child care subsidy:

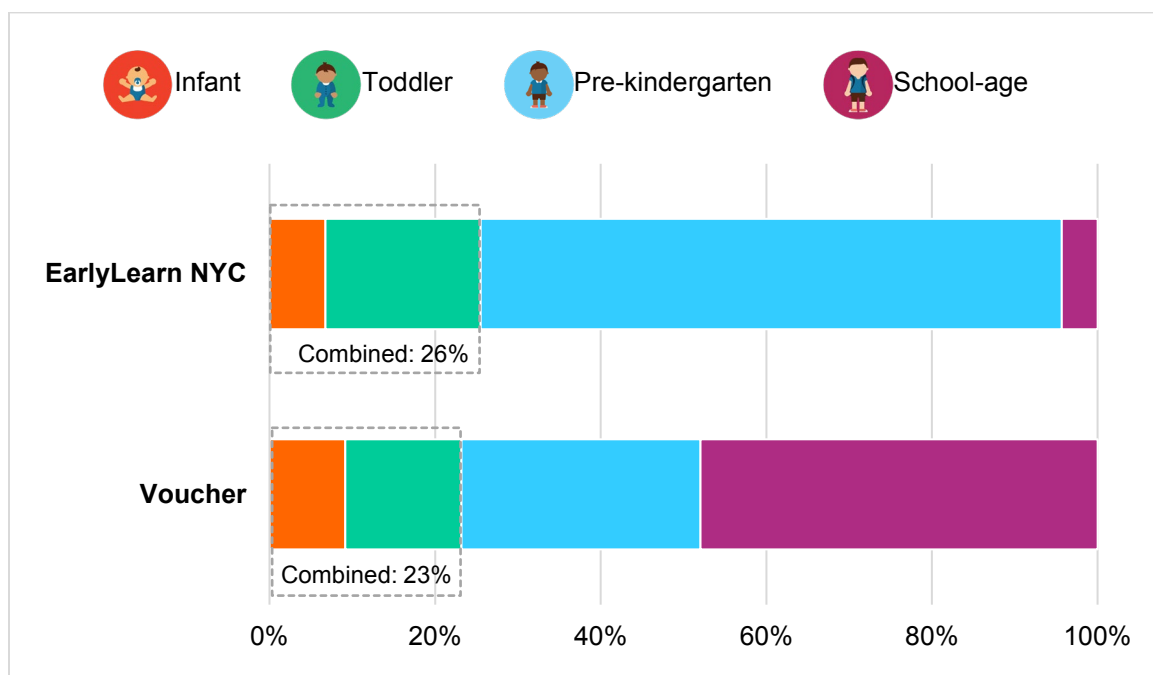
- Families receiving cash assistance
- Families with income at or below 200 percent of poverty whose cash assistance case closed in the prior year
- Families eligible for public assistance but choosing subsidy only

Families eligible for a child care subsidy only if additional funding is available:

- Families with income up to 200 percent of poverty

Data obtained from the New York City Administration for Children’s Services (ACS) by the Citizens’ Committee for Children of New York, Inc. show fewer infants and toddlers are served than pre-kindergarten and school-age children.⁸⁴ About one-quarter of EarlyLearn NYC spaces (26 percent) and just under one-quarter of vouchers (23 percent) were used by children under three, with infants more likely to be using a voucher and toddlers more likely to be in EarlyLearn (see Chart 4).⁸⁵ **Based on U.S. Census Bureau data, the Comptroller’s Office estimates that only about one in seven children under three in income-eligible families is served.**⁸⁶ EarlyLearn contracts are transferring from ACS to the New York City Department of Education (DOE) in 2019, and DOE will be managing a new system of birth-to-five contracted programs. While DOE is committed to expanding slots for three-year-olds over time (in line with the vision of 3-K for All), as of the time of writing, it is not known whether the new contracts will preserve these slots for infants and toddlers.

Chart 4: Use of Subsidized Care by Type and Age Group



Source: Citizens’ Committee for Children of New York, Inc., *Keeping Track Online: The Status of New York City Children*, “Child Care Voucher Utilization for All Children,” “Enrollment in EarlyLearn Contracted Care for All Children,” and “Enrollment in Subsidized Child Care for All Children,” <https://data.ccnewyork.org/data#any/3>.

The federal climate in recent years, specifically as it relates to child care, helps explain some of the pressures and constraints on the system locally. Federal funding for CCDF has been declining in constant dollars since 2002, and nationally, the number of children receiving a child care subsidy had reached all-time lows in 2015.⁸⁷ In 2014, Congress passed new health and safety requirements for subsidized child care but did not appropriate funds to support their implementation, which compounded the program’s fiscal challenges.

In 2017, the Center for Law and Social Policy (CLASP) estimated that states would need \$1.4 billion above the current funding levels just to enforce the new standards and maintain existing child care slots.⁸⁸ As a result, a number of states, New York included, requested waivers to extend the timeline for implementation.⁸⁹ According to OCFS, complying with all of the new federal regulations without additional resources would have resulted in an estimated 65,000 to 70,000 families across the state losing access to subsidized child care.⁹⁰

In early 2018, as part of a budget deal to keep the federal government running, members of Congress agreed to increase spending for CCDF over the next two federal fiscal years. And in March 2018, Congress appropriated \$2.4 billion in new funding for CCDF, bringing total annual discretionary funding to \$5.2 billion. Those who advocated for the additional dollars hoped this new funding would allow states to fully implement the revised federal health and safety regulations while also expanding subsidies to more children.⁹¹ However, New York estimates the new requirements will cost \$78 million to implement, making expansion a challenge in the short term.⁹²

Even if subsidies were fully funded, some barriers to accessing care would remain. Federal and state rules regarding income eligibility exclude moderate-income families who need assistance, and for families near poverty, their required contribution toward the cost of care can be prohibitively high. OCFS directs localities to ensure family copayments, which must be based on a sliding scale, per State statute, do not exceed 35 percent of a family's income above poverty. ACS in turn utilizes a fee schedule that caps copayments at 17 percent of income.⁹³ This is more than twice the Comptroller's Office's target affordability benchmark of 8 percent. For a family of three at 200 percent of poverty (\$42,660), 17 percent of income is more than \$7,000 a year, or about \$600 a month, more than 40 percent of median rent in the city.⁹⁴

In addition, the funds that child care providers who participate in the existing subsidy system are reimbursed for services may be too low to support the actual cost of care and ensure fair wages for staff. The latest child care market rates released by OCFS, the ceiling for reimbursement to providers, are in most cases higher than those produced by the last market-rate survey; however, the 2019-20 State Budget did not include funding to support the rates in New York City at the 69th percentile, and other gaps remain.⁹⁵ The Center for American Progress' cost modeling on infant and toddler care, for instance, puts the cost of meeting minimum health and safety standards in New York at about 13 percent higher than the maximum reimbursement rates for family day care in the city.⁹⁶ A recent study of early childhood education programs run by United Neighborhood Houses' member settlement houses put the gap between government funding and expenses at 41 percent, including a per-child gap of 56 percent for center-based infant and toddler care.⁹⁷

OCFS lowered reimbursement rates from the federally-recommended 75th percentile of the market-rate survey to the 69th percentile in 2014 in order to limit reducing the number of families that could be served. However, this resulted in reduced payments to providers, already struggling to maintain services. At the same time, the issue of how best to set reimbursement rates was being raised during the federal reauthorization of CCDF, and federal law now gives states permission to explore alternative strategies beyond the traditional market-rate survey.⁹⁸ State legislation has been introduced that would require OCFS to implement a cost estimation model that would establish the actual costs of care, but in the meantime, providers continue to depend on other sources of revenue to cover any shortfalls.⁹⁹

Tax Credits

New Yorkers may claim several tax credits to help offset the cost of qualifying child care services. At the federal level, the Child and Dependent Care Tax Credit (CDCTC) provides up to \$1,050 to families with one child and up to \$2,100 to families with two or more children up to age 13. Because the federal CDCTC is nonrefundable, it provides limited benefit for families with little or no tax liability. At the state level, the New York Child and Dependent Care Tax Credit, worth up to 110 percent of the CDCTC, is, in contrast, refundable, and families are able to receive the credit amount that exceeds their tax liability.¹⁰⁰ Neither the federal CDCTC nor the New York State CDCTC are means-tested, so benefits are distributed across all income levels.

In 2007, New York City became only the second city in the country to establish a local child care tax credit. Unlike the federal and state credits, the New York City Child Care Tax Credit (NYC CCTC) targets support to families with children up to age four and income near poverty. Families with annual income under \$30,000 are eligible, and the maximum value of the refundable credit is \$1,733.¹⁰¹ In 2016, 13,810 filers claimed the credit, and the average credit was \$343.¹⁰² If the maximum NYC CCTC were combined with the maximum federal and state child care tax credits, a family with one child would receive \$3,071. This can represent significant savings for families, particularly those with low incomes who are utilizing a less expensive form of care; however, it equals less than one-sixth (16 percent) of the average annual cost of center-based infant and toddler care. While families who qualify for the NYC CCTC are also income-eligible for subsidized care, there is, as noted earlier, no guarantee of a subsidy unless families are receiving or transitioning from cash assistance.

Elected officials have proposed expansions to existing child care tax credits but few proposals to date have targeted substantial benefits to low-income families. Notably, the Enhanced Middle Class Child Care Tax Credit, which first passed as part of the fiscal year 2017-18 State Budget in April 2017 and supplements the existing New York State Child

and Dependent Care Tax Credit, increases refundable tax credits by a maximum of \$260 for families with annual income between \$50,000 and \$150,000.¹⁰³

As with the subsidy system, the provision of child care benefits through the tax code has certain limitations. Even if all child care tax credits were refundable and expanded to more closely reflect actual child care costs, some low-income families would still see no or little benefit. Specifically, because the credits are disbursed as a lump sum annually and child care payments must be made throughout the year, typically on a weekly or monthly basis, tax credits are not as helpful for parents with limited or irregular sources of income.



Policy Recommendations

New York City is certainly not exceptional in failing to provide adequate support to parents of infants and toddlers, though the high cost of living in the city compounds the challenges associated with affording quality child care. **The U.S. ranks 34th out of 36 OECD-member countries in public spending on child care and early education, ahead of only Turkey and Ireland.** And compared to the OECD average of 0.7 percent, child care spending represents only 0.3 percent of gross domestic product in the U.S. Denmark, which bests all OECD countries in child care enrollment (61.8 percent, compared to 28.0 percent in the U.S.) and has the lowest child poverty rate (2.9 percent, compared to 19.9 percent in the U.S.), spends roughly four times more on early childhood education and care as a percentage of GDP than the U.S.¹⁰⁴

Other countries' approaches to child care make clear that poor access is not inevitable. Families with low and moderate incomes do not inherently need to worry about making ends meet if or once they have children, but U.S. policies have made that the norm. Fortunately, a broad range of local and national stakeholders representing a variety of political ideologies and fields, from academia to advocacy, have called for a reimagining of the nation's child care system. While they may not agree on what form it should take—proposals from prominent think tanks and officials vary—they agree that current levels of assistance are wholly inadequate and that government must be a major part of the solution.¹⁰⁵

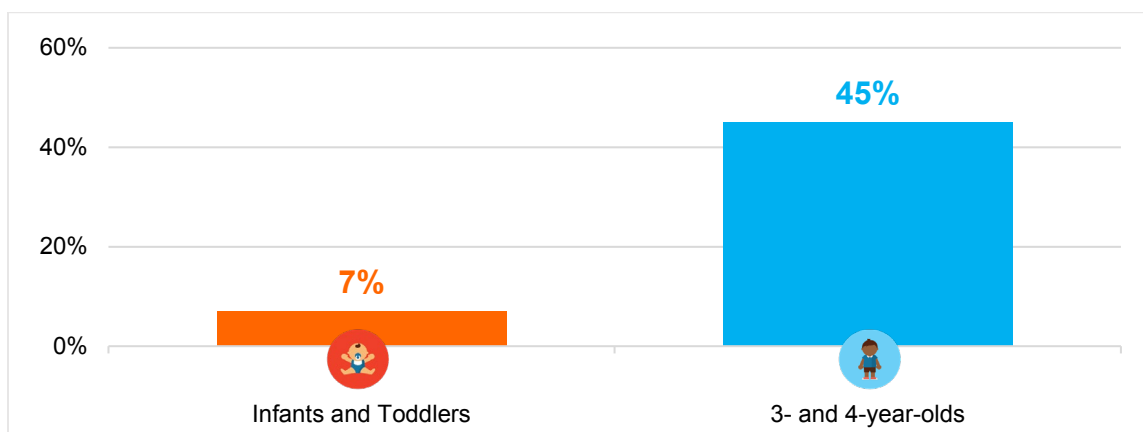
Several members of Congress have also taken up the fight for better child care, including by advocating for substantial new public investments in subsidies. In September 2017, U.S. Senator Patty Murray, the Ranking Member of the Senate Health, Education, Labor, and Pensions Committee, and U.S. Representative Bobby Scott, now the Chair of the House Education and Labor Committee, introduced the Child Care for Working Families Act, which would authorize funding needed to broaden eligibility for child care subsidies, nearly doubling CCDF's income limit from 85 percent of state median income to 150 percent, and guarantee assistance for all who are eligible.¹⁰⁶ In addition to subsidizing care for millions of previously unassisted families, the bill would direct funds to construct and renovate child care facilities and ensure all child care providers are paid a living wage. While it remains unclear whether a federal investment in child care of this scale will be made in the near-term, the bill does offer a vision of what it will take to make child care truly accessible to all.¹⁰⁷

At the state level, relatively little action has been taken to implement a comparable plan. In fact, in recent years some states had moved in the opposite direction, further restricting

eligibility for subsidies in order to patch together funding to meet the 2014 federal quality regulations.¹⁰⁸ To the extent that state and local governments have made investments in early childhood programs, most have prioritized pre-kindergarten reform over infant and toddler care, with a majority of states working to build and increase enrollment in state-funded pre-kindergarten programs. As of 2018, 44 states (including New York) and the District of Columbia had established such programs, collectively reaching 33 percent of all four-year-olds and 6 percent of all three-year-olds nationwide.¹⁰⁹ In a handful of localities, however, attention is gradually shifting to infants and toddlers. In San Francisco, voters approved a ballot measure in June 2018 that would raise approximately \$150 million in tax revenue to expand subsidized child care for children under four.¹¹⁰ And in September 2018, the Council of the District of Columbia passed and Mayor Muriel Bowser signed a bill that would, if funded, extend eligibility for subsidized child care to every child under three in the District within ten years.¹¹¹

The Comptroller’s Office estimates that New York City currently spends roughly \$1.6 billion on early childhood education and care for children under five, but only about \$250 million, or 16 percent, on infants and toddlers.¹¹² Analysis of data on the Citizens’ Committee for Children of New York, Inc.’s *Keeping Track Online* database shows that about 45 percent of all three- and four-year-olds in the city are enrolled in publicly-funded care, compared to only 7 percent of the city’s infants and toddlers (see Chart 5).¹¹³ While investments in pre-kindergarten are important, and the Comptroller supports the City’s introduction and expansion of 3-K for All, failing to adequately fund infant and toddler care misses an opportunity, as this report shows, to reach families when the costs of care are most burdensome, children’s development is most rapid and dynamic, and the potential return on each dollar invested is greatest.¹¹⁴

Chart 5: Estimated Share of NYC Children in Publicly Funded Care, by Age Group



Source: Citizens’ Committee for Children of New York, Inc., *Keeping Track Online: The Status of New York City Children*, “Enrollment in Publicly Funded Care for Children Under 5” and “Population of Children Under 5,” <https://data.cccnewyork.org/data#any/3>. Publicly funded care includes subsidized child care (EarlyLearn NYC and vouchers) and universal pre-kindergarten (3-K for All and Pre-K for All).

Making Quality Child Care for Infants and Toddlers Affordable and Accessible: Introducing “NYC Under 3”

The inadequacy of the current support system necessitates bold solutions and new investments. Currently, not enough families get help paying for care, and many who do still struggle to afford it. Meanwhile, the supply of licensed infant care is limited, and child care workers remain among the lowest paid human services employees in the city, compromising child care quality and providers’ livelihoods.¹¹⁵ Significant federal resources for child care are undoubtedly needed, but every day New York City fails to take action is another day thousands of families’ access to greater economic security is denied.

To lessen the financial burden of child care, both for parents and the workforce that provides this essential service, and to support increased capacity for the city’s youngest children, the Comptroller’s Office is proposing a multi-year plan to make quality affordable infant and toddler care a reality for New York City families. The proposal, NYC Under 3, includes a series of recommendations aimed at addressing the related goals of child care affordability, accessibility, and quality, outlined in detail below: (1) lowering families’ contributions toward child care and extending child care assistance to working families with income up to 400 percent of poverty, (2) dedicating funding for child care start-up and expansion grants and making a capital commitment of \$500 million to support the construction and renovation of child care facilities, and (3) increasing payments to providers and creating a fund to expand providers’ access to training and technical assistance.



1. Affordability: Lower families' contributions toward child care and extend child care assistance to working families with income up to 400 percent of poverty (about \$100,000 annually for a family of four).

NYC Under 3 would subsidize the cost of child care for families with children under three years old and income up to 400 percent of poverty, or about \$100,000 annually for a family of four, effectively doubling the current income limit. Families could enroll with center-based, home-based, or informal (legally-exempt family and in-home) providers, ideally giving families the flexibility to choose the setting that works best for them and the hours of care they need. To qualify, families would have to be working, engaged in an educational or job training program, or meet other categorical eligibility conditions, such as experiencing homelessness.¹¹⁶

Based on U.S. Census Bureau data on national child care participation rates and household income in New York City, the Comptroller's Office estimates that more than 70,000 families and about 84,000 children would benefit from the program, including more than 34,000 children who are not currently in paid care. With a little over 23,000 infants and toddlers enrolled in subsidized care as of February 2018, this means NYC Under 3 would more than triple the number of children under three in families receiving assistance in paying for child care.

NYC Under 3 would be structured to ensure that families contribute no more than what is affordable. Copayments would be based on a sliding scale and capped at a lower percentage of family income than under the existing system. Care for families with income below poverty would be fully subsidized, and no families with income below 200 percent of poverty would be required to spend more than 8 percent of their income on child care. As income approaches 400 percent of poverty, families would not be asked to contribute more than 12 percent of income, which would ensure families do not experience a steep increase in out-of-pocket costs as their income rises. However, as NYC Under 3 is phased in, it will be important for the City to monitor participation across income levels to ensure the family contributions proposed here are not prohibitive.¹¹⁷

Table 2: Proposed NYC Under 3 Family Contribution

Family Income as a Percentage of Poverty Line	Maximum Family Contribution as Share of Income
Below 100%	0
100% to Less Than 150%	4%
150% to Less Than 200%	8%
200% to Less Than 250%	10%
250% to Less Than 400%	12%

With the proposed family contribution limits, a family of four with one infant and income approaching 200 percent of poverty would be asked to contribute no more than \$4,120 a year, the equivalent of \$79 per week, for care (see Table 3). The same family would pay up to \$8,755, more than twice that amount, under the existing payment schedule.¹¹⁸

Table 3: Proposed Maximum Family Contributions with NYC Under 3

Family Income as a Percentage of Poverty Line	Maximum Family Income (family of four)	Maximum Annual Family Contribution before NYC Under 3	Maximum Annual Family Contribution with NYC Under 3
Below 100%	\$25,750	\$780	\$0
100% to Less Than 150%	\$38,625	\$4,506	\$1,545
150% to Less Than 200%	\$51,500	\$8,755	\$4,120
200% to Less Than 250%	\$64,375	Not eligible for assistance*	\$6,438
250% to Less Than 400%	\$103,000	Not eligible for assistance	\$12,360

Note: Examples based on 2019 poverty guidelines for a family of four. *Title XX funding may be used to serve families of four up to 225% of poverty.

2. Accessibility: Dedicate funding for child care start-up and expansion grants and make a capital commitment of \$500 million over five years to support construction and renovation of child care facilities.

In order to ensure that families who want child care actually have access to the provider of their choice, NYC Under 3 would direct new investments to build capacity in licensed settings. The Comptroller proposes dedicating \$100 million in year one of implementation for start-up and expansion grants to set the foundation for child care providers to serve more infants and toddlers. Start-up grants would be used to support the initial costs associated with meeting health and safety requirements to care for children under three. For a family day care, for example, grants could be used to fulfill criteria such as having safety-grade windows, two means of egress, adequate railings on stairways, and age-appropriate play equipment and cribs. Expansion grants would be offered to family day care and center-based providers already serving infants or toddlers and with a demonstrated plan to increase capacity. Grants would be competitive, with priority given to providers in neighborhoods with a significant income-eligible population and limited supply of child care, as well as providers meeting the needs of particularly underserved communities and those offering care during nights and weekends.

Since the City must work to not only maintain existing space for children under three but to also proactively identify untapped space for infants and toddlers, the Comptroller proposes dedicating new capital funding to construct, preserve, and renovate child care facilities. NYC Under 3 calls for the City to borrow \$100 million in debt service in each of

the first five years of the program for a total capital commitment of \$500 million, which would be used to increase child care capacity for infants and toddlers. City-owned sites would be targeted for development first.

3. Quality: Increase payments to providers and create a fund to expand access to training, professional development, and scholarships.

The Comptroller's Office proposes dedicating funding of at least \$50 million in year one of implementation to lower family contributions and increase reimbursement for providers currently serving infants and toddlers in subsidized care. Child care reimbursement rates should reflect what quality services and a fairly compensated workforce costs, not (a portion of) what providers can afford to charge. The Comptroller therefore further recommends that New York State implement a comprehensive cost estimation study, which would determine what child care reimbursement rates should be moving forward to cover the actual costs to provide quality care.

By establishing the costs associated with meeting minimum licensing standards in different settings (center versus a home) and for different age groups (infant versus a toddler) and needs (for example, children with disabilities or developmental delays), a cost estimation study can more accurately approximate what reimbursement rates must be to support equal access to care.¹¹⁹ At a minimum, New York's reimbursement rates should cover the cost of meeting standard licensing requirements and basic components of quality. However, the study would also provide an opportunity to better compensate and incentivize quality improvement by modeling the cost of care at different tiers of quality and developing a formula for reimbursing programs that meet higher standards at higher rates.¹²⁰ This would help ensure that progress toward quality, such as attainment of credentials, is linked to increases in per-child funding. Wage standards that support living wages and provide parity between child care providers and public school teachers with the same qualifications should be established as part of this process.¹²¹

The early childhood workforce should have ample opportunities to acquire education and training. To that end, the Comptroller additionally proposes dedicating \$25 million each year for a fund to support training, professional development, and education scholarships. A portion of these funds would be used to help subsidize the cost to providers with new infant and toddler slots of meeting training requirements, which can cost hundreds of dollars without assistance.¹²² The fund would also support coaching for existing and new center- and home-based providers to strengthen instruction and further professional development goals.¹²³ Finally, funding would be provided for scholarships to help cover the cost of tuition and fees to obtain early childhood education credentials, with priority given to home-based providers seeking a Child Development Associate (CDA) Credential.

To be in a position to effectively increase minimum standards system-wide in the future, the State and City need to remove existing barriers and increase access to credentialing. Since much of the growth in licensed capacity for children under three is likely to be in home-based care, additional professional support for this segment of the early childhood workforce is particularly critical.

Those who care for children should not be among the lowest paid workers in the city. But for too long in this industry, the minimum wage has been, at best, a sticky floor and, at worst, the ceiling. Moving away from the market-rate survey and adopting a model that identifies and factors in child care cost drivers should direct more adequate payments to providers, but the City can and should take action to more fairly compensate child care providers before a cost estimation study is conducted. A critical first step is for the City to fairly compensate teachers in contracted child care programs, whose starting salaries are roughly \$17,000 less than equally qualified teachers in DOE schools.¹²⁴ These pay disparities, which widen over teachers' careers, have created instability and increased teacher attrition among community-based organizations, the very programs that made the expansion of early childhood education under Pre-K for All possible, and additional services for infants and toddlers cannot and should not be built on top of this inequitable foundation. Funding for salary parity for the early childhood education workforce should be included in the DOE Adopted Budget for Fiscal Year 2020. However, should the City fail to prioritize correcting this inequity before NYC Under 3 as outlined here is implemented, available funds must be used first to address these existing disparities, which jeopardize providers' economic security and undermine the entire child care system.

Funding NYC Under 3

The Comptroller's Office envisions that it would take six years for NYC Under 3 to reach the entire eligible population expected to participate. In the early years, more funding would go toward efforts to address existing challenges, build the supply of quality care, and set the conditions for expansion, and assistance would be made available to additional families each year, as space opens up. In year one, total spending would be about \$180 million, with about 70 percent of funds dedicated to the grants to child care providers, capital debt service, and the fund for training and quality improvement. As the supply of licensed child care grows, assistance would be made available to more families with income up to 200 percent of poverty (about \$50,000 for a family of four), and a smaller proportion of funds would be directed toward increasing capacity. When fully implemented, and assistance is available to families with income up to 400 percent of poverty (about \$100,000 for a family of four), the total annual cost is estimated to be roughly \$660 million. A detailed explanation of this cost estimate and the projected phase-in are included in Appendices I and II.

To help pay for NYC Under 3, the Comptroller proposes utilizing revenue from a new, modest child care payroll tax on employers. Given that child care is a major impediment to workforce participation and that the benefits of having a regular child care arrangement extend to employers vis-à-vis a more stable workforce, lower absenteeism, and higher retention, the Comptroller's Office believes a modest payroll tax funded by employers is a logical and fair approach to raising the additional revenues needed to support greater access to care. This graduated payroll tax would be levied on only the top 5 percent of firms in New York City based on payroll size, exempting the vast majority of small businesses. Rates would start at 0.15 percent on payrolls equal to or greater than \$2.5 million annually and rise to 0.22 percent on payrolls equal to \$10 million or more annually. The proposed child care payroll tax is expected to generate annual revenue of \$626 million, a significant down-payment on the long-term vision of NYC Under 3.¹²⁵

Assessing the Benefits of NYC Under 3

An investment in families with children under three like NYC Under 3 would fundamentally alter the financial realities of thousands of New York City families and fill a large gap in support for infant and toddler care. The funds would stabilize child care for families currently struggling to afford it, alleviating stress and saving families thousands of dollars that could be put toward rent and other basic needs or put away for the future. It would also enable families to access more formal child care programs if desired and, in some cases, access paid care for the first time. Changing the methodology for establishing payment rates would help increase the overall supply and quality of care in the city.

Existing research on child care spending indicates that NYC Under 3 would have a specific, positive impact on workforce participation. As more parents would have access to more affordable, stable care and therefore experience fewer care-related interruptions to work, benefits would also extend to employers. Surveys of employers whose employees have access to subsidized care and paid family leave programs have shown that employees' capacity to better negotiate family caregiving needs reduces absenteeism and turnover, ultimately benefitting companies' bottom line.¹²⁶

The additional resources provided through NYC Under 3 would likely have a greater impact on mothers' employment decisions than fathers', as women are more likely to be secondary earners or parenting alone. Evidence shows that subsidy use is strongly correlated with maternal job stability, particularly for lower-income mothers.¹²⁷ A review of existing studies indicates that a 10 percent reduction in child care costs increases maternal employment between 0.5 and 4 percent.¹²⁸ A recent Center for American Progress analysis of the employment impacts of the Child Care for Working Families Act, on which NYC Under 3 is largely modeled, found that 1.6 million parents nationwide would enter

the workforce as a result, for an average increase in employment of mothers with children under age 13 of between 7.5 and 12.5 percent.¹²⁹

The Comptroller's Office estimates that NYC Under 3 would increase employment of New York City mothers of young children by roughly 10 percentage points, or about 20,000 people. This estimate assumes there will be larger increases in employment among mothers with the lowest incomes, whose current levels of labor force participation are lower than mothers of young children with higher family incomes. The positive impact on employment is expected to increase these parents' annual wages by approximately \$540 million. In addition, these parents would receive about \$78 million in federal and state earned income tax credits per year (see Appendix I for methodology).

The benefits of NYC Under 3 would be cross-generational and cumulative, strengthening parents' job stability and earnings gains over time, improving child development and wellbeing, and increasing the chances that children in care today have economically secure families of their own one day. A comprehensive and affordable child care system would treat all families and caregivers with dignity and make New York City a more attractive place to live and work, maintaining the city's national and global competitiveness. And, as child care continues to emerge as a key social policy issue and challenge nationally, NYC Under 3 would offer a roadmap for how other states and localities can improve the existing child care system to serve more families.



Conclusion

The current economic conditions surrounding infant and toddler care amount to a perfect, albeit unfortunate, storm: the time when children’s brains are most flexible, in need of nurturing, and ripe for growth occurs precisely when high-quality child care is most expensive, public assistance is scarce, and parents are generally experiencing the lowest-earning years of their careers.¹³⁰

High-quality infant and toddler care should not only be available to a privileged few, nor should accessing child care in New York City set families on a permanent path to poverty. The Comptroller’s Office acknowledges that significant additional federal and state resources for child care are needed but also recognizes that the City has an opportunity to be bold and lead. By targeting support to families with low and moderate incomes, NYC Under 3 would increase access to quality care for those parents facing the greatest barriers to affording and maintaining it. Low-income working families eligible for assistance under the existing system would finally gain support, and moderate-income families struggling to afford infant and toddler care would get needed assistance for the first time. For many, it would relieve the pressure of deciding whether to parent and grow their home in New York City.

If implemented, NYC Under 3 would represent the single largest local investment in families with children under three in the country, making the City a national leader in promoting access to care. As the movement to improve child care affordability, accessibility, and quality grows across the country, the expansion would establish an evidence base upon which other cities and states—and, indeed, the federal government—could build in advocating for smarter and deeper investments in children’s earliest years.



Appendix I: Methodology

Summary

The Comptroller’s Office estimates that when fully operational NYC Under 3 will benefit up to about 84,000 children, including more than 34,000 infants and toddlers who would not otherwise be in organized or other non-relative care. It is anticipated that the program will take about six years to expand to all eligible children. When fully implemented, the annual net cost of expanding subsidized care for infants and toddlers is estimated to be approximately \$600 million. The projected net cost accounts for existing child care funding for children under three and expected family contributions.

The projected cost of NYC Under 3 is based on five key variables: 1) the number of income-eligible children, 2) family take-up rates, 3) choice of child care settings (i.e. center-based, home-based, or informal care), 4) provider reimbursement rates, and 5) family contributions. The assumptions used for each key variable are discussed below.

Eligible universe of children

The analysis is based on microdata from the U.S. Census Bureau’s 2016 American Community Survey. The analysis uses Census-reported household units, which includes relative and non-relative children and thus provides a larger population of potentially eligible children than family units. It is assumed that about 230,000 children under three reside in about 204,000 income-eligible families in New York City.

2016 Household Income as Percent of Poverty Line	Number of Children Under 3	Number of Families with Children Under 3
Below 100%	77,779	68,486
100% to Less Than 150%	40,358	34,480
150% to Less Than 200%	35,435	31,646
200% to Less Than 250%	25,182	23,048
250% to Less Than 400%	51,622	46,830
Total	230,376	204,491

Take-up Rates

Projected take-up rates are based on estimated current child care usage and the expected increase in usage, in large part due to the positive employment impact on new parents.

On average, the use of organized – and typically paid – child care increases with both the child’s age and with the family’s income. Based on national Census data, among all

children under five, about 37 percent use an organized child care facility or other non-relative care, such as a day care or nanny.¹³¹ However, the use of organized or non-relative care averages about 20 percent for children under one and about 30 percent for 1- and 2-year-olds. Among children under five in poverty, only about 26 percent are cared for in these settings, compared to about 40 percent of children in families living at or above the poverty line. This difference in part reflects the high cost of child care.

Based on these national averages, this analysis assumes that 22 percent of families with infants and toddlers, and income below 400 percent of poverty, currently use organized or other non-relative child care. This estimate accounts for variations among income brackets. (See table below).

Reducing child care costs through NYC Under 3 would increase employment among parents and guardians, especially among poorer mothers of younger children, and in turn, increase the use of paid child care. This assumption is borne out in an extensive body of research.¹³² The research estimates that a 10 percent reduction in the price of child care increases maternal employment between 0.25 percent and 11 percent, with the majority of estimates falling in the range of 0.5 percent to 2.5 percent.

To estimate the employment effect of NYC Under 3, it is assumed that 60 percent of eligible New York City mothers of children under three are currently employed, in line with national averages.¹³³ It is further assumed that a 10 percent reduction in the price of child care would increase maternal employment by 2.5 percent. To approximate current baseline costs, this analysis uses average child care prices reported in the State's market-rate survey.¹³⁴ Based on these inputs, it is estimated that NYC Under 3 would increase employment of eligible mothers by roughly 10 percentage points, or about 20,000. The increases in employment would be largest among the poorest mothers.

Such an effect would be similar to the impact of Quebec's universal child care program, which offered child care to all children under five for an out-of-pocket price of initially \$5 per day. Researchers found that the program led labor force participation to increase by 7.7 percentage points for married women with children under five, relative to the rest of Canada.¹³⁵

A recent analysis of Washington D.C.'s expansion of universal preschool for 3- and 4-year-olds similarly credited the preschool expansion with a 10 percentage point increase in the labor force participation rate of mothers of children under five.¹³⁶ The study found that the impact was greatest (15 percentage points) for women living in poverty.

For the purpose of this analysis, it is assumed that the use of organized or non-relative child care would increase by at least the projected growth in maternal employment, or 10 percentage points. However, it is likely that child care use would increase at a higher rate as some families switch from unpaid care to paid child care. Notably, in Quebec child care use increased by 14.7 percentage points after the implementation of universal child care. Because the employment impacts are expected to be greatest for lower-income families, it is also expected that increases in the use of formal child care would also be greatest for families with the least means.

This analysis assumes that the use of organized or non-relative child care among the eligible population would increase from an overall rate of 22 percent to 37 percent when the program is fully implemented.

2016 Household Income as Percent of Poverty Line	Estimated Children Currently in Organized or Non-relative Care	Current Share in Organized or Non-relative Care	Projected Children in Organized or Non-relative Child Care Under NYC Under 3	Projected Share in Organized or Non-relative Care	Increase in Children in Organized or Non-relative Child Care
Below 100%	13,526	17%	30,968	40%	17,442
100% to Less Than 150%	8,127	20%	16,179	40%	8,052
150% to Less Than 200%	7,915	22%	13,139	37%	5,223
200% to Less Than 250%	6,224	25%	8,813	35%	2,588
250% to Less Than 400%	14,059	27%	15,302	30%	1,244
Total	49,851	22%	84,400	37%	34,549

Distribution of care settings

Reflecting the city’s current child care landscape, it is assumed that participating families will choose a mix of center-based, home-based (referred to as family-based), and informal care providers, depending on the family’s needs and the availability of spaces. It is assumed that this mix of child care settings will be similar to the current distribution of subsidized child care for infants and toddlers in the city. As of February 2018, 58 percent of ACS-subsidized slots for infants and toddlers were in family-based care; 32 percent were in center-based care; and 10 percent were in informal care.¹³⁷

Admin. for Children's Services enrollment as of Feb. 5, 2018	Infant	Toddler	Infant and Toddler Combined	Share, Infant	Share, Toddler	Share, Infant and Toddler Combined
Family-based	4,465	8,994	13,459	56%	60%	58%
Informal	1,007	1,266	2,273	13%	8%	10%
Center-based	2,524	4,848	7,372	32%	32%	32%
Total	7,996	15,108	23,104	100%	100%	100%

Provider reimbursement rates

To reimburse providers for the actual cost of providing quality care, the Comptroller proposes establishing new rates based on a comprehensive study of provider costs. For the purposes of this analysis, it is assumed that actual reimbursement rates would be equal to the maximum annual rates for child care in New York City, as established by the State's market-rate survey in 2019. The current maximum rates are \$21,112 for infant center-based care; \$10,400 for infant family-based care; \$7,280 for infant informal care; \$16,380 for toddler center-based care; \$10,192 for toddler family-based care; and \$7,124 for toddler informal care.¹³⁸

To account for additional reimbursement costs resulting from a cost estimation study, an additional \$500 per child was added to the assumed cost in each year.

Family contributions

Families with income above the poverty threshold would be required to contribute a graduated share of their income. The contribution would be capped at 4 percent for families with income under 150 percent of poverty and gradually rise to a maximum contribution of 12 percent for families with income at 400 percent of poverty. If families have multiple children benefiting from the program, their contribution would be capped at 2 percent of family income for families living in poverty and gradually increase to a maximum of 18 percent for families with income at 400 percent of poverty.

At full implementation, it is projected that families would contribute a total of about \$260 million annually toward the cost of care.

Existing child care funding

After accounting for required family contributions, the total annual cost of the program is projected to be about \$845 million when fully implemented. The cost would be offset by current funding for infant and toddler child care in the city. In FY 2018, New York City spent \$1.0 billion on Child Care and Head Start at the New York City Administration for

Children’s Services (ACS), excluding estimated administrative and support expenses.¹³⁹ As of February 2018, these funds covered 23,104 infant and toddler child care slots, or 24 percent of all ACS-funded child care slots.¹⁴⁰

Based on the current share of subsidized child care slots for infants and toddlers in New York City, it is estimated that the City currently spends about \$245 million per year, including city, state and federal funds, on infant and toddler child care. Consequently, the net additional cost of NYC Under 3 is estimated to be about \$600 million per year.

Employment impact

It is expected that the additional investment in child care would produce gains in economic activity, leading to improvements in families’ financial stability as well as incremental new tax revenue. As discussed in the “*Take-up Rates*” section above, the Comptroller’s Office estimates that NYC Under 3 would enable about 20,000 young parents to gain employment. These newly employed parents and guardians – largely mothers – would earn roughly \$540 million annually in wages. This estimate is based on the assumption that newly employed parents of younger children will work roughly 36 hours/week on average, earn a minimum wage of \$15 per hour, and work about 50 weeks per year once they re-enter the labor force.¹⁴¹

It is assumed that young parents will not have great difficulty finding work in a tight labor market with historically low unemployment rates, but there are many additional factors which may affect employability such as education levels, criminal backgrounds, and citizenship.

In addition to the wages earned, these newly working parents would bring over \$78 million per year in federal and state earned income tax credits to the New York City economy, assuming a federal EITC credit of \$3,000 and a state credit of \$900 per newly employed parent.

Appendix II: Projected Implementation Plan

<i>\$ in millions</i>	Phase	Infants and Toddlers in Program	Training, Professional Development, and Scholarships	Grants for Startup, Renovation, and Expansion	Capital Commitment (debt service)	Increase Provider Rates and Expand Subsidies	Total Cost
Year 1	Address Flaws in Current System and Build Capacity	23,129	\$25	\$100	\$7	\$50	\$182
Year 2	Initial Expansion to Families Under 200% Poverty	29,568	\$25	\$75	\$13	\$106	\$219
Year 3	Continued Expansion to Families Under 200% Poverty	39,807	\$25	\$50	\$20	\$232	\$326
Year 4	Continued Expansion to Families Under 200% Poverty	50,047	\$25	\$25	\$26	\$357	\$433
Year 5	Continued Expansion to Families Under 200% Poverty	60,286	\$25	\$0	\$33	\$483	\$540
Year 6	Expansion to Families Under 400% Poverty	84,400	\$25	\$0	\$33	\$601	\$658

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¹¹⁷ To change family contributions, the City would have to request a waiver from the State to cap family contributions at the requested percentages of family income. All local districts that are sub-grantees of the New York State Child Care Block Grant have the option of requesting a waiver of any State regulation that is non-statutory. New York State’s Social Services Law (section 410-x) states only that “[p]ursuant to department regulations, child care assistance shall be provided on a sliding fee basis based upon the family’s ability to pay.” To mitigate uneven treatment within the City’s child care system, the proposed family contributions would ideally be applied to all child care subsidies, not only those used by families with children under three. Expansion of assistance to families up to 400 percent of poverty would be covered by local funds.

¹¹⁸ Estimates assume full-time care. New York State Office of Children and Family Services, *Child Care and Development Fund (CCDF) Plan for New York FFY 2019-2021*, <https://ocfs.ny.gov/main/childcare/stateplan/CCDF/FFY2019-2021-CCDF-Plan.pdf>; New York State Office of Children and Family Services, *April 1, 2018 – March 31, 2023 New York City Plan*, pg. 42, <https://ocfs.ny.gov/main/childcare/plans/New%20York%20City/New%20York%20City1514.pdf>; U.S. Department of Health and Human Services, “HHS Poverty Guidelines for 2019,” <https://aspe.hhs.gov/poverty-guidelines>.

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¹²¹ In the absence of a cost estimation study and subsequent development of State rates that build in wage standards, it will be imperative for the City to examine, and adopt, alternative strategies for increasing compensation for providers as they attain credentials. For example, one existing model, the Child Care WAGES Initiative (WAGES), first created in North Carolina in 1994, offers ongoing salary supplements to child care providers based on the provider’s level of education. The T.E.A.C.H. Early Childhood National Center provides technical assistance to states looking to implement the WAGES. T.E.A.C.H. Early Childhood National Center, “Child Care WAGES Overview,” https://teachecnationalcenter.org/wp-content/uploads/2014/10/WAGES_overview_FactSht_9_25_18v4.pdf.

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¹²⁴ Day Care Council of New York, Inc., *The Value of Early Childhood Educators: A Pathway Forward to Salary Parity for Community-based Organizations* (May 2019), pg. 16, https://www.dccnyinc.org/wp-content/uploads/2018/05/DCCNY_SalaryParityReport2019.pdf; Campaign for Children, “Salary Disparities in NYC’s Early Childhood Education Workforce,” <https://www.cccnewyork.org/wp-content/uploads/2018/02/salary-parity-infographic-20190107-1.pdf>.

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