

Where Have All the New Child Care Dollars Gone?

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*City's Reliance
on State and
Federal Funds
for Child Care
Grows*

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Over the past three years, funding for publicly subsidized child care has grown at a faster rate than support for many other services. From 1999 to 2002, child care funding rose by 21 percent compared to an overall city spending rise of 6.2 percent. Much of this additional funding came from Albany and Washington.

But a number of elected officials and child care advocates have noted that this funding increase has not resulted in a commensurate number of new child care slots. While annual child care spending grew by more than \$100 million over three years, the number of new slots increased by a relatively modest 7,400, or 8 percent. An analysis by IBO finds that in addition to more slots, higher payments to providers, and reduced fees for families, some of the new funds also have been used to help cover other spending needs and close the city's budget gap.

Dollars into slots. Child care spending by the Administration for Children Services (ACS) and the Human Resources Administration (HRA) grew from \$517 million in 1999 to \$622 million in 2002. This spending growth slowed in 2002 as the city increasingly cut back on its allocation of local funds for child care.

The significant increase in child care spending since 1999 did not result in a proportionate increase in the number of children receiving subsidized child care from the city. At ACS the annual average enrollment in child care actually fell from 59,249 in 1999 to 56,308 in 2000, before increasing to 57,312 in 2001 and 60,751 in 2002. At HRA, where child care services are predominately for public assistance recipients, the annual average enrollment rose sharply from 29,653 in 1999 to 37,464 in 2000 and 37,569 in 2001, before falling to 35,563 in 2002. Although the combined enrollment at ACS and HRA increased steadily from 88,902 in 1999 to 96,314 in 2002, the overall increase was only 8 percent.

The disparity between child care spending and enrollment resulted from significant increases in the average cost per child. For ACS and HRA combined, the average annual cost of providing care to a child grew steadily from \$5,811 in 1999 to \$6,457 in 2002, an increase of 11 percent. Several factors added to child care costs. In October 1999, and again in October 2001, state officials put into effect increases in the rates paid to child care providers. In December 2000, the city reduced the fees paid by many low-income families, thereby increasing child care costs borne by the city. This meant a family earning \$25,000 annually with three children saw its weekly share of child care costs fall from \$62 to \$42. Additional factors adding to the price of providing child care included cost-of-living adjustments for

child care contractors, and increases in lease costs and other administrative expenses.

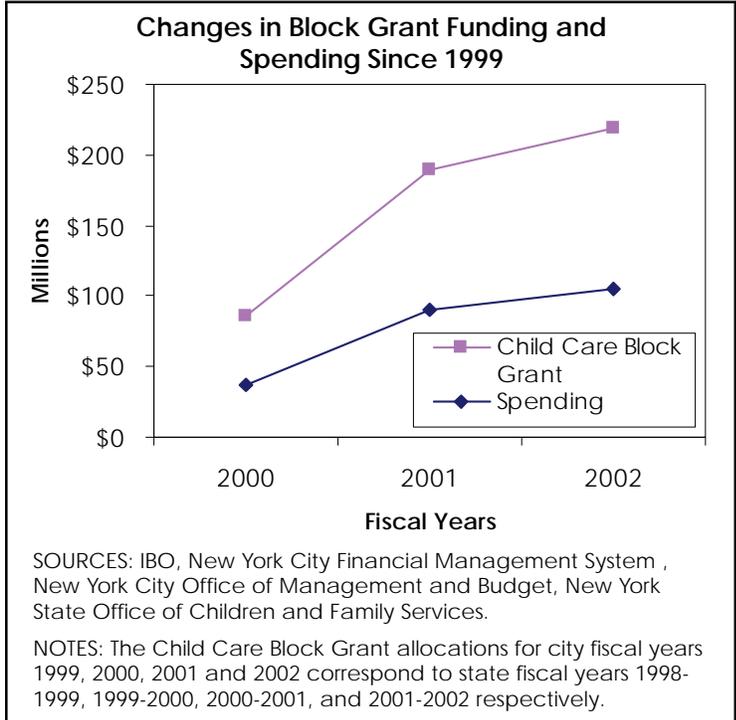
Block grant rising. The state’s decision to increase its funding of the Child Care Block Grant (CCBG) enabled much of the rise in child care spending. This block grant included both federal and state funds earmarked for child care as well as some surplus Temporary Assistance for Needy Families (TANF) dollars, which the state decided to direct to child care. New York City’s CCBG allocation began to increase rapidly, from \$178 million in 1999 to \$263 million in 2000, \$368 million in 2001, and \$396 million in 2002.

About 70 percent of this increase in the city’s block grant allocation comes from TANF surplus funds. Just a few years ago, TANF dollars accounted for less than one-quarter of the city’s annual CCBG allocation—they now total more than half.

As the city’s overall CCBG allocation rose, its own commitment of child care dollars eventually began to fall (and has continued to fall this fiscal year). While the city allocated \$64 million more of its own funds for child care in 2001 as compared to 1999 (although it ultimately spent less than allocated), by 2002 city funding had fallen \$29 million below the 1999 level. Also during this period federal Title XX social services funds were steered at Albany’s direction from child care and into emergency services for adults unable to care for themselves and domestic violence programs.

In total, the pluses outweighed the minuses, and total child care spending from all sources grew from the 1999 level: by \$37 million in 2000, \$90 million in 2001, and \$105 million in 2002.

Surpluses and shifts. Modest increases in enrollment as well as significant increases in the average cost per child absorbed much of the new funding. But not all of it. In 1999, the city finished the fiscal year with a small end-of-year surplus of \$11 million in its child care budget. These funds were



reallocated to other areas of the city budget. There was a larger surplus of \$20 million in 2000, but in 2001 and 2002, the combination of budget reductions and additional spending eliminated the child care surpluses.

But there is one more piece to the puzzle of how the new child care funds were spent. In some years New York City’s child care budget did not account for all of the Child Care Block Grant dollars available to the city. This resulted in unbudgeted block grant funds totaling \$14 million in 2000 and \$108 million in 2001.

These funds did not go unspent. In each year the city has claimed its entire CCBG allocation from the state. But not all of these funds were budgeted by the city. So at the end of the year the “unbudgeted” CCBG funds were used to pay for some child care expenditures that had been covered in the budget with city funds. This freed the city dollars to be used for other spending.

It is unlikely the city will continue to see rising state allocations for child care in the near future, meaning that opportunities for such funding shifts or end-of-year child care surpluses are likely to vanish. The state’s own budget difficulties as well as its decision to expand the use of TANF surplus funds to other programs this year and to spend its remaining TANF reserves means the Child Care Block Grant may be smaller next year and beyond.

By Paul Lopatto

	City Fiscal Year			
	1999	2000	2001	2002
Type of Child Care:				
Center-based	50,695	48,639	47,818	50,732
Family and Group Family	11,097	10,984	11,817	13,468
Informal	27,110	34,149	35,246	32,114
Total	88,902	93,772	94,881	96,314

SOURCES: IBO, New York City Administration for Children Services, New York City Human Resource Administration.