



Testimony of

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*Update on the impact of the Federal Economic Stimulus Package on New York City:
Focus on social services issues*

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General Welfare Committee

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Good afternoon. I am Stephanie Gendell, the Associate Executive Director for Policy and Public Affairs at Citizens' Committee for Children of New York, Inc. (CCC). CCC is a 66-year old independent child advocacy organization dedicated to ensuring that every New York City child is healthy, housed, educated and safe.

I would like to thank Chair Palma and members of the General Welfare Committee for holding this hearing today to help us better understand the impact of the Federal Economic Stimulus Package on New York City, as it relates to social service issues.

About one year ago, in February 2009, Congress approved President Obama's \$787 billion economic stimulus package, known as the American Recovery and Reinvestment Act (ARRA). In general, AARA funds enabled the State and the City to address budget deficits and restore proposed cuts to various programs for children, youth and families. CCC is incredibly grateful for the AARA funds, many of which are funding programs and services this fiscal year and in the upcoming fiscal year 2011. CCC is pleased that the City has developed a stimulus tracker on the web, and encourages the City to be as transparent about the use of these funds as possible.

Given that much of the AARA funding is intended to stimulate the economy in the short-term and is thus temporary, it is critical that the money be used wisely now and that the State and the City plan ahead for how to preserve services, particularly in FY 2012, when we will no longer have these funds.

In addition, a major component of AARA is a 6.9% increase in FMAP, or the rate of Medicaid reimbursement states receive. Typically, New York receives 50% federal matching for Medicaid and also Title IV-E adoption and foster care services. The economic stimulus package increased all states' matching rates by 6.9%, meaning that New York now receives almost a 57% match for these expenditures. This money has been used by the State and the City to close large budget gaps, which is in line with the federal intent. President Obama's recently proposed budget for the upcoming federal fiscal year proposes to extend this FMAP rate increase for an additional six months beyond the two years in AARA. CCC supports this budget proposal and urges other advocates, the City Council, and other state and city elected officials to ensure Congress understands how critical this funding is to stabilizing upcoming state and local budgets.

Much of the rest of the economic stimulus funding for children and families is much more specifically directed. Below is a description of some of the critical services and programs currently being fully or partially funded with stimulus dollars and CCC's perspective on the current progress and the future funding needs.

Child Care:

President Obama's stimulus package provided \$2 billion for child care and \$2 billion for Head Start/Early Head Start over two years. This was a critical recognition that child care had not been sufficiently supported at the federal level for some time, and that child care is critical to stabilizing the economy because it both provides jobs and enables parents to participate in the workforce.

New York City received approximately \$28 million of the Child Care funds, which was used to fund 93 classrooms that would have otherwise been empty and to help pay for the increased market rate. Specifically, to close a \$62 million budget gap, ACS decided to no longer serve 5-year olds in their child care programs and instead these children transitioned to kindergarten. This would have left 124 empty classrooms throughout its contracted child care system. ACS used a portion of the stimulus funds to preserve 93 of these classrooms, and then used \$8 million

from the City Council to maintain the remaining 31 classrooms. Additional stimulus funds were used to help pay for the increased market rate due to providers based on the 2007 Market Rate increases.

Thus, the federal stimulus funds were critical to helping to stabilize the city's child care system and prevent further reductions in the system's capacity to serve children of low-income working parents. Unfortunately, New York City will probably receive a smaller allocation of child care stimulus dollars in the upcoming fiscal year because based on the criteria the state established for county eligibility, more counties will be eligible to receive the state's share of child care stimulus funds.

President Obama's proposed budget for the upcoming fiscal year includes proposals to increase Head Start/Early Head Start funding by \$1 billion and Child Care funding by \$1.6 million (\$800,000 discretionary funding and \$800,000 mandatory funding). Thus, the President is proposing to essentially baseline the federal stimulus funds for early care and education. While child care advocates believe that the system needs about \$4 billion additional federal funds to more adequately meet the national need for subsidized child care, Congress's adoption of this proposal is critical for New York City's child care system.

The City's subsidized child care system is desperately short of the resources it needs to serve the families on public assistance who are entitled to child care and the low-income working parents (earning less than 200% of the FPL) who are eligible for subsidies. Yet more families will be turning to public assistance and ACS will receive less state support. CCC is fearful that these trends will lead to additional cutbacks to subsidized child care for low-income working parents and thus while the City works to create jobs and reduce the unemployment rate, there will be less child care available to enable these families to participate in the workforce.

Federal, state and local advocacy will be necessary to protect the child care system's current resources and to hopefully increase the system's resources.

Homelessness:

As we move deeper into the economic downturn, more families are homeless than ever before. On any given night in New York City, approximately 9,000 families with 16,000 children are living in the City's homeless shelter system. While Mayor Bloomberg had committed to reducing homelessness by 2/3, homelessness has actually increased.

To try to combat the level of homelessness in New York City, the Department of Homeless Services (DHS) secured \$74.17 million in economic stimulus funding that was allocated directly to DHS. According to the City's Stimulus Tracker this stimulus funding is allocated for families as follows: \$39.93 million for HomeBase Homelessness Prevention; \$2.6 million for an aftercare helpline; \$2.1 million for anti-eviction legal services; \$9.7 million for expedited rehousing; and \$333,000 for rapid rehousing of youth.

Given the current level of homelessness in New York City, it is not yet clear to CCC how successful this large allocation to DHS has been for preventing homelessness and expediting the transition of families from shelters to permanent housing. CCC urges DHS to be more transparent and open about the uses of this funding, the outcomes of its Advantage Programs, and the outcomes for the HomeBase program.

In addition, CCC understands that the city's homelessness problem has been compounded by the Section 8 voucher freeze and the termination of 3,000 vouchers. Given that Section 8 vouchers

are a critical tool to preventing homelessness, as well as a critical component of HomeBase and some of the Advantage Programs, CCC is very fearful that the level of family homelessness will continue to increase rather than decrease.

While CCC appreciates the efforts DHS has made to secure stimulus funds and then use the funds wisely, we remain very concerned about the numbers of children displaced from their homes and communities. We urge DHS to be more forthcoming about the successes or failures of its programs and to work with the advocacy community and elected and appointed officials on how to best combat homelessness.

Child Welfare

As part of the FMAP increase for Title IV-E foster care and adoption assistance, the Administration for Children's Services (ACS) received an additional \$44 million over 2 years. The agency has used these funds to close its budget gap and to prevent additional child welfare cuts. Given the important role ACS plays in keeping the City's children safe and supporting families, CCC is extremely grateful for these funds. Given that ACS is the city's emergency responder for children, we urge the city to ensure that when budgets are negotiated and adopted, funding for child welfare services is preserved.

Youth Services

The federal stimulus funds have been critical to maintaining youth services. Specifically, DYCD received \$3.02 million for disconnected youth internships; \$36 million for Summer Youth Employment; \$5.5 million for the Go to School Get a Job part-time job program for youth; \$2.3 million for Beacons; and \$14.1 million to restore proposed cuts to OST after school programs (Option 1 and Option 2).

Programs for youth, such as after school programs and the summer youth employment program, are critical to ensuring that youth are positively engaged in their communities when they are not in school and while their parents are at work. Unfortunately, much of this funding which came from WIA and the Community Services Block Grant, was one year allocations. CCC is extremely concerned about the impact the loss of stimulus funds (plus additional state and city cuts) will have to these critical programs for our city's youth.

Education

A significant component of the economic stimulus plan was for education. Notably, New York City received \$708 million in education state stabilization funds and \$316 million in IDEA special education funding. This over \$1 billion in additional federal support enabled the state and the city to prevent significant cuts to education. According to Mayor Bloomberg, this funding prevented the City from laying off 14,000 teachers.

Conclusion

As is clear from the long list of programs and services preserved by AARA funds, the economic stimulus package was invaluable for staving off incredibly painful cuts. It is critical that this money be used efficiently and effectively and we are thankful to the City Council for holding this oversight hearing today so that the city can explain how the funds are being used. We remain extremely concerned about the impact the loss of these funds will have in Fiscal Year 2012 and urge the State and City to prepare for this in a manner that will preserve core programs for children and families, particularly those that are cost-effective and prevent more costly interventions later.

Thank you for this opportunity to testify.

