



Testimony of

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*Putting a Face on Budget Cuts*

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Good morning. 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 67-year old independent child advocacy organization dedicated to ensuring that every child in New York is healthy, housed, educated and safe.

I would like to thank Senator Kruger and all of the members of the Senate Finance Committee for holding today's hearing to put a face on state budget cuts. We at CCC agree that in light of the very difficult economic times and the repeated budget cutting that has taken place, that it is critical to take a step back and understand the impact the budget numbers are having on real people, real families and real children.

While all New Yorkers are reeling from the economic downturn, few are likely to have been hit harder than poor children and their families. It is critical that resolving New York's budget deficit not come at the cost of eliminating the safety net needed to ensure a generation of New Yorkers are able to grow up to reach their full potential. New York must maintain and restore investments in programs that produce positive outcomes for children. In fact, most of these programs, such as child care, home visiting, child abuse and neglect prevention programs and after school and youth programs will ultimately save New York State and its taxpayers by preventing more costly interventions such as foster care, juvenile justice placements and hospitalizations.

In June 2010, CCC released *Keeping Track of New York City's Children 2010*, our bi-annual, comprehensive book detailing over 400 child well-being indicators about New York City's children. *Keeping Track* includes data collected at the start of the economic downturn, and paints a vivid picture of children's health and welfare, both citywide and in each of New York's 59 community districts.<sup>1</sup> The data in our most recent *Keeping Track* demonstrates the undeniable negative impact that, as early as 2008, the economic downturn has had on many of New York City's two million children and their families. As the information in *Keeping Track* shows, families in all five boroughs have faced increased financial instability, hunger, and homelessness. Further, while many of those suffering and in need of government assistance were new to economic instability, communities of color and historically lower-income neighborhoods have borne the overwhelming brunt of this crisis.

In 2008, at the cusp of the recession, 26% of New York City's children – nearly 500,000 children, or one in four children citywide – lived in households below the federal poverty level, which was then \$17,600 a year for a family of three. For certain New York City neighborhoods, the data is even bleaker: 40% of children in the Bronx (155,985 children) and 30% of children in Brooklyn (192,624) lived in poverty in 2008. The recession took a similarly disparate toll on Black and Latino children, who resided in poverty at a greater rate than the citywide average. A full 34.7% of Latino children and 28.7% of Black children fell below the federal poverty level in 2008.

The percent of New Yorkers, children in particular, who live in poverty has continued to increase as the economic crisis persists. According to the US Census Bureau's recently-released data for 2009, 27.1% of New York City children lived below the federal poverty level. This increase is

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<sup>1</sup> The data from *Keeping Track* is also available at [www.cccnewyork.org](http://www.cccnewyork.org).

not surprising given the 2009 spike in unemployment in each of the five boroughs, and the overall rate of 9.5% unemployment in New York City. Notably, unemployment rates were highest in the Bronx (12.2%) and Brooklyn (10.1%), and climbed to even greater heights in some communities, such as Brownsville, Brooklyn (22%) and Hunts Point, Bronx (20%). Further, and similar to the poverty statistics, unemployment numbers also demonstrated that communities of color were disparately affected, as 14.9% of African-Americans and 11.2% of Latinos were unemployed in 2009.

The impact the economic downturn is having on New York City's children can be seen clearly when the data related to the number of families turning to government social supports is examined. For instance, in 2009, 21,294 families with children – more than in any previous year – applied for homeless shelters. Tonight, 15,000 children will sleep in homeless shelters. In addition, 1.5 million New Yorkers received food stamps in 2009. Although this latter staggering number may be attributed in part to improvements in the enrollment process and changes in food stamp eligibility (such as the elimination of the asset test), the role that current economic conditions have played in increasing the number of New York City children and their parents who receive food stamps cannot be ignored.

In addition to the impacts of the economic downturn, since the tragic death of Nixzmary Brown in January 2006, there has been an almost 30% increase in the number of reports of abuse or neglect in New York City (from approximately 50,000 to over 65,000) and an increase in the percent of cases where abuse or neglect was substantiated from approximately 33% to approximately 40%. Given the increase in reports and the higher percentage of these reports where abuse or neglect has been found, the total number of children found to be abused or neglected has significantly increased and has remained at this sustained level since 2006.

### **Child Welfare**

This hearing is very timely because in these difficult budget times, it is more important than ever that the cost-effective services, which keep children safe and out of more costly foster care, remain supported by all levels of government. The most effective child welfare system is one that identifies the children at risk and then prevents the need for foster care when possible by keeping children safe and strengthening their families. A strong and effective child welfare system includes enough child protective staff to maintain low enough caseloads so that there can be quality investigations and a strong preventive service system that has enough capacity to provide high quality community based services to all children at risk of abuse, neglect or foster care.

Historically, the State's commitment to open-ended child welfare financing at 65/35 state/local reimbursement (per Social Services Law Section 153-k) had enabled counties like New York City to make significant strides in improving their ability to keep children safe and strengthen families. But in this past three years, localities have lost a significant amount of state reimbursement as this funding stream has been repeatedly cut in the budget since SFY 2008.

Preventive services are community-based services that strengthen and support families by tailoring the services to the families' individualized needs, and by reducing and assessing safety and risk through home visits and casework contacts. Thus, preventive services enable children to remain safely in their homes, protecting them from abuse, neglect and the need for foster care. These services are also cost-effective. In New York City, preventive services cost a fraction of the price of foster care, with an average annual cost of \$10,000 per family for preventive services and an average annual cost \$36,000 per child for foster care. These figures do not even begin to calculate the other costs associated with foster care including the costs to other systems such as the family court and the health and mental health systems, nor the incalculable human capital costs created by the trauma of removal and growing up in multiple foster homes.

The State's commitment to funding preventive services had helped decrease foster care in New York State and New York City. In 2002, New York State adopted Child Welfare Financing Legislation, which created uncapped 65% state reimbursement to localities for preventive, protective, adoption, aftercare and independent living services (after the use of federal funds and meeting the MOE) and a Foster Care Block Grant, which capped state reimbursement for foster care services. This financing structure greatly expanded state resources for preventive services and led to greater county investments as well. For example, by 2007, New York City's budget for preventive services was more than double what it had been in 1997.

Since the creation of the 65/35 uncapped funding stream, the number of children in foster care in New York State has dropped dramatically: in 2002 there were 37,000 children in foster care throughout the state, but in 2009 there were 24,000 children in foster care in New York. Similarly, New York City's foster care system has decreased dramatically while the number of children receiving preventive services has simultaneously increased. In 2002, when this funding stream was established, for the first time ever, more NYC children received preventive services than foster care services. In 2002, there were almost 30,000 NYC children in foster care; today there are almost half as many with 15,013 children in foster care as of August 2010. Notably, after the death of Nixzmary Brown in January 2006, even though there was an increased number of reports and a higher indication rate, there was not a corresponding increase in the more costly foster care placements; this is because child protective staff had access to a robust preventive service system that could keep the children safe without removing them from their families, schools and communities.

The 65/35 uncapped match for preventive services has remained in place statutorily since 2002. In the State Fiscal Year 2008-2009 budget, due to budget shortfalls that led to across the board 2% cuts to social services, the State Fiscal Year 2008-2009 budget only provided reimbursement for 98% of its share (i.e. 98% of the 65% share.) This translated into 63.7% state/ 37.3% local shares for preventive services. This 2% reduction was carried forward in the state's Fiscal Year 2009-2010 Budget.

The State Fiscal Year 2010-2011 Executive Budget prepared by the Governor and the Senate and Assembly Budget Resolutions all maintained state funding for preventive services at 63.7%. Throughout the budget process, advocates supported this budget item but focused advocacy efforts elsewhere given that no publicly available budget document indicated that state funding for preventive services was at risk. Much to CCC's surprise and dismay, when the State Legislature and the Governor issued the Emergency Budget Resolution this summer, the

reimbursement rate was cut by another 2% (i.e. 96% of the 65% share), which translates to 62% state reimbursement to the counties. This cut was thus implemented without any public debate. In addition, since that time, preventive service reimbursement has once again been reduced as part of the 1.1% across the board FMAP cut on state reimbursement for local assistance claims. These two more recent cuts (from 63.7% down to 62% down to approximately 61%) translate into a \$7 million state cut to New York City’s preventive service system.

New York City’s children and families have felt the impact of these budget cuts. In fact, ACS released new contract awards (based on a new RFP) for preventive services that reduced the system by approximately 3,000 slots, or 25% of the system. Due to the advocacy of organizations like CCC, the New York City Council is funding 2,900 preventive service slots in the current city fiscal year, but this money will be lost effective June 30, 2011. In addition, due to the timing of this restoration, many providers began downsizing their caseloads prior to the restoration. This resulted in the closure of over 2,000 cases in a two month time period—one of which was the case of Marchella Pierce, who tragically died this past fall.

CCC remains concerned because the number of families receiving preventive services remains significantly reduced since budget cuts began. Over 6,500 fewer children received preventive services in September 2010 compared to 2009 (which corresponds to a 23% decrease). This is despite the fact that SCR reports are higher and fewer children are in foster care—and thus fewer families who have come into contact with the child welfare system are receiving services. A chart of NYC’s own data shows the tremendous and precipitous decrease in the number of families receiving preventive services since the summer of 2010.

**Active Preventive Service Cases: Source: ACS**

<b>Month/Year</b>	<b>General Preventive</b>	<b>Family Rehabilitation Program</b>	<b>Total (all programs including medically fragile, intensive/enhanced programs, etc.)</b>
<b>Calendar Year 2008 Average</b>	10,740	1,244	<b>16,284</b>
<b>Calendar Year 2009 Average</b>	10,096	1,191	N/A (ACS did not provide this data) Average total Jan 2009: <b>15,827</b> Average total September 2009: <b>14,250</b> (9/09 is the last month in 2009 that ACS reported a total)
<b>January 2010</b>	9,886	1,124	N/A
<b>February 2010</b>	9,918	1,146	N/A
<b>March 2010</b>	9,949	1,171	N/A
<b>April 2010</b>	9,945	1,158	N/A
<b>May 2010</b>	<b>9,650</b>	1,156	N/A
<b>June 2010</b>	<b>8,792</b>	1,028	<b>13,512</b>
<b>July 2010</b>	<b>7,853</b>	1,028	<b>12,230</b>
<b>August 2010</b>	<b>7,573</b>	978	<b>11,821</b>
<b>September 2010</b>	<b>7,431</b>	967	<b>11,553</b>

Protecting New York's children is going to require both the State and the City to recommit resources to preventive services. This includes restoring the State match and the City's restoration of funds for the 2,900 preventive service slots. It also includes the State's commitment to home visiting programs (Nurse-Family Partnership and Healthy Families New York), preventive service contracts that have historically funded post-adoption services, and reinvesting in COPS (Community Optional Preventive Services), which has funded valuable services that keep children safe and in their homes.

While the state has continuously cut back on funding for home visiting and preventive contracts (which includes post-adoption services), these services have been proven to prevent more costly interventions. State support for home visiting programs (separate from COPS funding) used to be \$25 million, but is now at approximately \$15 million. In addition, Nurse-Family Partnership was cut by an additional \$3 million and COPS has been frozen and cut by \$5 million in the SFY 10-11 Budget.

According to the Rand Corporation, there is a \$34,148 net benefit per family served by Nurse-Family Partnership (NFP), equating to a \$5.70 return on every dollar invested. In addition, home visiting programs have been proven to reduce language delays by 50%, reduce child abuse and neglect by 50%, reduce emergency room visits for accidents and poisonings by 56%, reduce arrests of children by age 15 by 59%, and reduce behavioral and intellectual problems of children at age 6 by 72%. Furthermore Healthy Families and NFP are cost effective, costing only \$4,000-\$7,000 per family compared to \$240,000 per child per year for juvenile placement, \$36,000 per child per year for foster care and \$22,000 per year per child for special education.

Similarly, post-adoption services, which receive their only state support through the post-adoption contracts, have been repeatedly reduced throughout the past few years of budget cuts. There is now only \$6 million in state support for the preventive contracts, even though just a year ago there was \$18.8 million in state support. These services are cost-effective in that they prevent foster care, at approximately 1/3 the price of foster care.

While CCC appreciates the severity of the State's Budget deficit, we believe that cutting the services that keep children safe, strengthen families and prevent more costly foster care is penny-wise and pound foolish. These types of cuts will cost the state and localities much more in both the short and long term. Difficult budget times call for very difficult budget choices. Services that are both effective at protecting vulnerable children and cost-effective to the State and localities must be protected.

### **Juvenile Justice**

CCC supports New York State's continued efforts to reform the Juvenile Justice system through right-sizing, improving conditions of care, and enabling youth to remain in their homes and/or communities whenever possible. As a member of the Governor's Task Force to Transform Juvenile Justice, we continue to believe that underutilized facilities need to be closed, the 12-month waiting period to close facilities needs to be eliminated, savings from closing facilities need to be reinvested in the community-based programs that prevent the need for placements in detention and placement facilities, and counties need a more fair reimbursement mechanism for

youth placed in OCFS facilities and private facilities, as well as for alternative-to-detention and alternative-to-incarceration programs.

CCC was deeply disappointed that the State's 2010-2011 Budget reduced the state's commitment to Alternative-to-Detention (ATD) and Alternative-to-Incarceration (ATI) programs. Specifically, these programs were cut by over \$10 million, leaving only \$6 million in state support for these programs. This cut runs counter to best practice, research and the recommendations of the Governor's Task Force. All research, reports and juvenile justice experts recommend increased funding for community-based ATD/ATI programs, which are more effective and less expensive than facility care (and could be paid for through savings in juvenile placements.) Paradoxically, this cut to ATD and ATI programs means that counties now have less state support for the very same programs the state is urging them to offer their young people. Furthermore, given the state's current funding formulas for OCFS placements and private placements, the counties' per child costs for placement have increased such that even though counties are placing fewer children, they do not have any savings to reinvest in these more preferable community based programs.

Conveniently, the solution here will not cost the state additional money. On December 6, 2010, there were 633 youth in OCFS residential placements facilities and 337 empty beds—which are beds that the state and counties are paying for. CCC urges the state to close underutilized facilities so that some of the millions of dollars invested in these facilities that are not producing positive outcomes for children can be reinvested in the community based programs that cost less, are more effective, and allow young people to remain in their communities.

### **Youth Service Programs**

Youth Development programs, such as after school programs and job training programs, prepare youth for successful adulthood, while keeping them engaged in positive activities that deter the more costly interventions of the juvenile justice system. Yet the state has reduced its commitment to after school programs (due to across the board local assistance reductions) and the Summer Youth Employment Program (SYEP).

In the summer of 2009, New York City received more than 130,000 applications for SYEP but was only able to offer jobs to 52,000 young people. This was before the State cut SYEP by \$20 million (as well as the loss of federal stimulus funds). In the summer of 2010, New York City received over 143,000 applications for SYEP, but was only able to employ 35,725 youth through SYEP (and 1,000 of these jobs were due to a \$1.5 million donation from Goldman Sachs.) The loss of state funding translated to thousands of youth who were unable to participate in SYEP this past summer. Not only does SYEP provide young people with their first job experiences, but it also provides low-income families with much-needed income, which is then spent in their local communities, generating revenue during these tough economic times.

### **Child Care**

The State's subsidized child care system has been in crisis for some time now. The minimal amount of state general fund support, the flat federal support, and the decreased block grant allocation to New York City (\$11 million reduction this fiscal year), while the City faces increased costs (due to market rate increases, facility and benefit rate increases and the requirement to serve public assistance families at a time when the number of these families is increasing) has led New York City's system to be desperately short of resources. The result has been numerous cuts to child care including the loss of over 5,000 vouchers (priorities 7, 8 and 9), the closure of 5 child care centers, 14,000 fewer low-income children receiving care, and an increase in parent fees. Currently 14 centers are at risk of closure in the coming year, an additional 125 classrooms are only open through June 30<sup>th</sup>, and the City is once again going to raise parent fees. Losing capacity in the child care system, at a time when parents need to be participating in the work force, will have long-term economic impacts on families. In addition, early childhood education has been proven to prepare young children for kindergarten, enabling these children to start on par with their peers and ultimately enable them to more likely succeed in school. Thus, increased state support for early childhood education is critical to both the academic success of children and the economic recovery of New York State.

### **Conclusion:**

CCC appreciates the very difficult economic conditions of New York State. The economic downturn has had a profound impact on the State's ability to provide services to New Yorkers. We understand that the State Legislature and Governor-elect Cuomo will be facing very difficult budget choices in a few short months. We ask you to remember from today's hearing the faces of those impacted by the budget cuts when you are negotiating the budget, and we urge you to protect the resources for the programs and services that are cost-effective and produce good outcomes for our youngest New Yorkers.

Thank you for this opportunity to testify.