The Schuyler Center would like to thank the chairs and members of the respective committees for the opportunity to submit testimony on the 2019-20 New York State Executive Budget. Since 1872, Schuyler Center for Analysis and Advocacy has advanced policies that strengthen New York families and improve child well-being so all New York children have a fair opportunity to thrive.

Our priorities this year, as in the past, focus on strengthening families before they experience crises or trauma and preventing families from enduring hardships like ill-health, economic insecurity, child welfare involvement, or encounters with juvenile justice. Another overarching priority: ensuring comprehensive and strategic investment in our youngest New Yorkers, ages 0 to 3, when their brains and bodies are most rapidly developing, with impacts that can last a lifetime.

Schuyler Center leads and participates in several coalitions focused on children and families, including the Child Welfare Coalition; CHAMPS (Children Need Amazing Parents); the Empire State Campaign for Child Care; Winning Beginning New York; Ready for Kindergarten, Ready for College; Medicaid Matters New York; and a statewide workgroup on maternal, infant, and early childhood home visiting, which brings together State agencies, providers and advocates to strengthen coordination between and access to important dual-generation interventions.

For more about Schuyler Center and our work, please visit our website www.scaany.org.

OVERVIEW

New York State boasts the 14th strongest economy in the nation, yet we rank 31st in overall child well-being, and 39th in economic well-being. More than one in five NY children live in poverty; with that rate rising to nearly one in three among children of color. What this means is that more than 853,000 NY children are living lives defined by deprivation. They live in homes where food and heat are scarce, housing is unstable, and transportation is unreliable.

In fact, the number of NY children experiencing economic insecurity is much greater than the poverty rate suggests. Nearly all experts agree that families do not approach economic security until they hit 200% of poverty. (To make that tangible, 200% of poverty is a family of four with a household income of $50,200). Four out of ten New York children live below 200% of poverty. This means 40% of NY children live in families that are one car repair, illness, or rent hike away from a financial crisis.
Notably, in most poor and near-poor families, at least one parent is working. Sixty-five percent of children in poor families have at least one parent who is employed at least part-time. This is the case because even with New York’s rising minimum wage, a low-wage salary (annual full-time income at $15.00 an hour is approximately $31,000) does not cover basic costs, especially those associated with raising children.

Childhood poverty can contribute to numerous negative outcomes for children in all areas of their lives, including physical and mental health, educational achievement and child welfare, with effects that can last well into adulthood. Thus, many of the tens of thousands of New York children that experience poverty and economic insecurity face challenges in all aspects of their lives; challenges they may carry with them for a lifetime.

With the economy humming and unemployment at record lows, complacency in the face of this level of child poverty is inexcusable. It is also bad public policy. It is well established that policies that shelter young children from harm and deprivation, and nurture solid developmental and educational foundations, have among the best returns on investment.

Unfortunately, absent from this Executive Budget proposal are any bold moves to provide these tens of thousands of families experiencing poverty or near poverty a pathway into economic security. Missing are significant investments in services proven to improve family economic security, strengthen families, and prevent child welfare involvement, like access to quality, affordable child care, evidence-based home-visitation, family strengthening programs, and working family tax credits.

**TAX POLICY – WITH WORKING FAMILY TAX CREDITS AS A CENTERPIECE – CAN PLAY A SIGNIFICANT ROLE IN REDUCING CHILD POVERTY IN NEW YORK.**

Last year’s federal tax overhaul – the Tax Cuts and Jobs Act – presented, and continues to present New York with tremendous challenges, but also with an opportunity to step back and reflect on who we are as a state and consider how to respond in a way that reflects New York’s values. We challenge New York – as we did last year – to use this opportunity to revise our tax code such that it plays a more central role in fighting child poverty, encouraging equitable growth, and countering the federal tax code’s expansion and entrenchment of income inequality.

One challenge facing working families in New York – and across the nation – is that low wages without benefits keep many workers, notwithstanding their diligence or dedication, from ever moving from poverty into economic security. Further, most poor working people are not teenagers, but adults and, often, parents.

Among the many obstacles standing between New York working families and economic security is the high cost of quality child care. New York ranks among the most expensive states for child care. The average cost for full-time center-based care for an infant is $15,000 a year – far out of reach for a single parent earning the minimum wage, about $31,000 annually (assuming a $15/hour wage).

The bottom line: for low-wage working parents, earnings alone cannot pull their families out of poverty, particularly if they have to pay for child care. The math simply does not work.
One way New York can help make low-income workers’ paychecks stretch further is by **expanding and strengthening working family tax credits**, beginning with the state’s Empire State Child Credit. Inexplicably, this credit – designed to offset the high cost of raising a child – does not cover children under age 4, precisely when children are most apt to live in poverty, and most vulnerable to its devastating effects. And, the state’s Earned Income Tax Credit should be expanded to include young childless adults, ages 18-25, exactly when they are struggling to gain their footing in the workforce and build a nest egg for a future family.

Notably, a strategy that has been found to be largely ineffective at helping working families cover the high costs of raising children are Employer Child Care Tax Credits. The 2019-2020 Executive Budget contains a proposal to create a state version of this credit to expand access to quality child care to more working families. The tax credit would allow employers who provide child care benefits for their employees to credit certain expenses associated with this benefit. Unfortunately, according to a report issued by the National Women’s Law Center, there is significant evidence that these tax credits – at both the federal and state level – have been underutilized and largely ineffective. The evidence is so strong that in recent years, the trend among states has been to repeal or discontinue the credits. Specifically, between 2002 and 2017, nine states repealed or discontinued their employer child care tax credits. We urge New York to instead invest in strategies proven to help working families access quality child care and achieve family economic security, like working family tax credits, or child care subsidies.

New York currently offers robust working family tax credits including:

- a state Earned Income Tax Credit (EITC),
- a state child tax credit, called the Empire State Child Credit, and
- a state child and dependent care credit.

Each of these credits can boost family income, even among the lowest earners, because, unlike in many other states, New York’s credits are fully refundable. This means the lowest income working families can receive the full credit to which they are entitled even if the credit amount exceeds the amount of taxes the family owes. Many New York families benefit from these working tax credits.

The federal tax overhaul – which taxpayers will feel this year – is not going to provide low-income New York families significant income boosts, and will likely reduce after-tax income for some working immigrant families. Accordingly, it is up to New York to put working families first. Further, refundable state tax credits do not appear to be covered by the proposed federal public charge rule, which, if adopted, could cause as many as 2.1 million New Yorkers to withdraw from essential public supports, impacting the households of more than one-third of all New York children. These credits could be an important way to put more money in the pockets of hard-working immigrant families at a time when they stand to lose many other critical supports. We urge the State to strengthen New York’s working family tax credits, beginning with the Empire State Child Credit and the Earned Income Tax Credit.
EXPAND THE EMPIRE STATE CHILD CREDIT TO COVER THE STATE’S YOUNGEST CHILDREN, AND ENHANCE THE CREDIT FOR YOUNG CHILDREN

Enacted in 2006, New York’s Empire State Child Credit provides eligible taxpayers a credit equal to 33% of the federal child tax credit or $100 per qualifying child, whichever is greater. More than 1,438,020 families received the credit for tax year 2015. The average credit amount families received was $440. While New York is a leader in the nation in offering a refundable child tax credit, the state credit contains a significant flaw: it excludes children under age four from eligibility—the very group that is most severely impacted by poverty, and would most benefit from receiving a credit.

Since it was enacted in 2006, the Empire State Child Credit has been tied to the federal Child Tax Credit. Specifically, it provides eligible taxpayers a credit equal to 33% of the federal child tax credit, or $100 per qualifying child, whichever is greater. In the 2017 federal tax overhaul, the federal child tax credit was doubled for most families—up to $2,000 per child ($1400 of which is fully refundable), and expanded to include more higher-income families. However, the amended federal credit will exclude many non-citizen immigrant children—including DREAMERS (immigrant children brought to the United States by their parents without immigration authorization)—from the federal tax credit. It is estimated that about one million immigrant children across the nation will lose the federal child tax credit. As a result, many working immigrant families will likely see their federal tax liability increase in the coming years.

New York responded to the federal changes in the 2018-2019 State Budget by decoupling the Empire State Child Credit from the 2017 Tax Cuts and Jobs Act, tying it instead to the federal law as it existed prior to the 2017 tax overhaul. This means that the amount of the Empire State Credit will not increase and expand in step with the federal credit, and will remain targeted to low and lower-middle income families. Specifically, the state credit begins to phase in when family annual income exceeds $3,000; the credit begins to phase out when family income exceeds $75,000 (or $110,000 for married filers filing jointly). It also means that New York’s immigrant families will remain eligible for the state credit—even though many of these families will lose eligibility for the federal credit under the new federal law.

The exclusion of New York’s youngest children from a credit that exists to offset the high costs of raising children defies logic. Further, expanding the Empire State Child Credit to cover children 0 to 4, and bolstering the credit for the state’s youngest, would bring this law in line with the growing body of research establishing how critical are the early years, and how investments in young children pay dividends for a lifetime. Reflecting this understanding, the State has already taken steps to target investment in our youngest New Yorkers in implementing its path-breaking First 1,000 Days on Medicaid initiative. Strengthening the Empire State Child Credit for young children would complement and build upon these efforts. Further, because the Empire State Child Credit is one of a very few supports available to many hard-working immigrant families—particularly now that they are ineligible for the federal child tax credit—it is critical for these families that their youngest children are covered.

New York should expand the Empire State Child Credit to cover young children (under age four), and double the credit for these young children.
EXPAND NEW YORK’S EARNED INCOME TAX CREDIT TO COVER YOUNG CHILDLESS ADULTS AGES 18 THROUGH 24, AND STRENGTHEN THE CREDIT FOR NEW YORK FAMILIES

As noted, working family tax credits like the child tax credit and EITC encourage work because the credit paid rises as earnings rise to a maximum level, and then phases out slowly as a worker’s earnings increase. Given the number of working families still living in poverty or near poverty, refundable working family tax credits are essential to keeping these workers attached to the labor market. Young and childless adults ages 18 through 24 currently do not qualify for the federal or New York State EITC even though they experience poverty at rates higher than most adults. This exclusion has left them particularly at risk of becoming disconnected with the labor force because members of this age group that work in low-wage positions are taxed into poverty under the federal tax code.

It is counterintuitive that young adults are excluded from the federal and New York State EITC given New York’s young adults experience poverty at disproportionate rates, causing them to struggle to enter the workforce and build a future for themselves. Twenty percent, or 326,000 young adults ages 18 through 24 live below the poverty level. Part of this group includes the state’s foster youth who age out of foster care, a group of young adults that experience homelessness, food insecurity, and unemployment at higher rates than their peers. In addition, many of New York’s teens 16 through 18 are disconnected both from school and the workforce, making them more likely to live in poverty as young adults. Six percent of New Yorkers ages 16 through 18 are neither in school nor working. Broken down by race and ethnicity, 9% of Black, 10% of Latino or Hispanic, and 4% of non-Hispanic White New Yorkers ages 16 through 18 are disconnected from both school and work.

Further, the EITC has been shown to encourage workforce participation because it is structured to increase with wages to a certain point then very gradually decrease. For workers living paycheck to paycheck, like many young adults, the additional money provided by the EITC can keep an individual from falling into a devastating cycle of debt or enable a purchase on a durable good – like a car or washing machine – that could improve the individual’s quality of life immeasurably. Moreover, the EITC has been found to have an important intangible effect: it allows low-income recipients to plan for upward mobility by allowing them, once a year, to possess a significant sum of money to use to buy a bigger ticket item.

Currently, the New York State EITC is 30% of the federal credit and is fully refundable. Like the federal credit, New York’s EITC excludes childless working adults ages 18 through 24. However, New York State offers a state credit to non-custodial parents in this age range equal to the greater of (1) 20% of the federal EITC that could have been claimed if the noncustodial child met the qualifying child definition; or (2) 2.5 times the federal EITC that could have been claimed if computed as if the claimant was eligible and had no qualifying children. New York’s rate of participation in the federal EITC is relatively high at 82.5% (in tax year 2015); it is likely the state participation rate is similar. In tax year 2016, 1,573,227 New York State taxpayers filed EITC claims; the average credit overall was $661. The average credit for a family with two children was $1,106.

New York should expand and strengthen the state EITC by (1) increasing the percentage of the federal credit paid to families from 30% to 40%; (2) expanding the credit for young adults without children (ages 18 through 24) who are currently ineligible for either the federal or state credit; and (3) adjusting filing requirements so that more hard working immigrant New Yorkers can file for the state EITC.
NEW YORK: AN OPPORTUNITY STATE

We urge the Legislature to place a special focus on aiding families in achieving economic security, providing children a strong early start, and reducing inequality and deprivation, by supporting the recommendations in this testimony as steps toward laying more stones of the path of opportunity for all of New York’s families and children. Strengthening the state’s working family tax credits will not only enable more New Yorkers to achieve their potential and thrive, but will also yield significant cost savings down the road.

Thank you. We appreciate the opportunity to provide testimony and look forward to continuing to work with you to build a stronger New York.

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Data from the New York State Department of Finance and Taxation; on file with the Schuyler Center. Data for 2016 tax year.


