Testimony before the Joint Fiscal Committees
SFY 2021-22 Executive Budget
Taxes Budget Hearing
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Dede Hill, Director of Policy
Schuyler Center for Analysis and Advocacy

The Schuyler Center thanks the chairs and members of the respective committees for the opportunity to submit testimony on the 2021-22 New York State Executive Budget. The Schuyler Center is a 149-year-old statewide, nonprofit organization dedicated to policy analysis and advocacy in support of public systems that meet the needs of disenfranchised populations and people living in poverty.

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 over-arching 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 Raising New York; 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; Fostering Youth Success Alliance; Raise the Age; 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 whole-family interventions.
For more about Schuyler Center and our work, please visit our website www.scaany.org.

OVERVIEW

The COVID-19 pandemic has been devastating for New York children and families and all low-income and marginalized New Yorkers. As of July 2020, an estimated 4,200 New York children had experienced a parental death due to COVID-19, and the COVID-19 economic downturn had pushed an additional 325,000 New York children into poverty or near-poverty. With the pandemic persisting, we believe the number of New York children newly experiencing poverty and near-poverty due to the pandemic is now much higher. Women in great numbers are being disproportionately forced to reduce work hours or drop out of the workforce to care for children unable to attend in-person school or child care, causing ever more pressure on family economic security.[1] Children across communities, but particularly those in communities of color, immigrant, and low-income communities, are struggling to keep up with remote school due to faulty internet service, a lack of devices, English Language Learning support, or support for children with disabilities.

What New York children and families need to put them on the path to recovery and success is a budget with a plan to prioritize their needs. What all New Yorkers who are low-income and struggling need is a budget with a plan that prioritizes investments that will reduce inequality and lead to a recovery that leaves no one behind.

Tax policy can play a critical role in achieving a just and equitable recovery for all New Yorkers, but only if we act boldly, and put children, families, the New Yorkers and communities hit hardest by the pandemic, intentionally at the center of our efforts. We urge policymakers to craft a final, enacted budget that prioritizes investing in children and families, advancing racial justice, and reducing poverty and inequality throughout, including in the area of taxes.

ESTABLISH TARGETS TO CUT CHILD POVERTY IN HALF BY 2030, AND TAKE BOLD STEPS THIS YEAR TO BEGIN MEETING THAT GOAL BY STRENGTHENING AND EXPANDING THE STATE'S CHILD TAX CREDIT

We challenge New York leaders – the Governor and Legislature – to make a public, binding commitment to **cut child poverty in half in ten years,** and dedicate State dollars to set New York on a path to meeting that target. The **Child Poverty Reduction Act S.2755-A (Ramos)/ A.1160 (Bronson)** sets a path for New York to reach this goal.

New York entered the pandemic with more than 700,000 children living in poverty,[2] representing 18% of all New York children, with that percentage a full ten points higher for Black children, and seven for Latino children.[3] Compared to the rest of the nation, New York children were more likely to live in poverty than children in 32 other states.[4] And these rates do not include the hundreds of thousands of children and families pushed into poverty and near poverty since the pandemic struck.[5] The child poverty rate in New York is undoubtedly much higher now.

We know from experience after the Great Recession, if leaders do not act with urgency and firm resolve, this pandemic surge in child poverty will persist long after the state turns the corner to recovery. In the wake of the Great Recession, child poverty in New York rose to 23% in 2011 and hovered there through 2014, after which it slowly declined to 18% in 2019. For Black and Latino children, the child poverty rates post-Great Recession sky-rocketed. For Hispanic/Latino children, they reached a shocking 36% in 2012; for Black children the rate hit 35% in 2013.[6] For all children, rates reduced steadily after 2013, but racial disparities persisted.

The sobering lesson to draw from the state's experience after the Great Recession: If New York does not take immediate, decisive action, it could take years, if not decades, to reverse the child poverty impacts and racial inequities of the pandemic.

For our children experiencing poverty, every day New York fails to prioritize ending child poverty matters. The experience of poverty and trauma in childhood can have long-lasting impacts on development. The stress of poverty can alter the brain development of young children – causing permanent changes in the structure and functioning of the brain. As a result, many children who experience poverty face significant challenges – in the form of poor health, academic obstacles, lower earnings – for the rest of their lives. With the stakes so high, there should be no delay in tackling child poverty, no matter the fiscal challenges facing the state.

S.2755-A/A.1160 provides New York the tools needed to reduce child poverty. It requires New York to make a public commitment to cutting child poverty in half by 2030; requires an annual public report of the effects that any adjustment or reduction by the director of the budget will have on child poverty; establishes the Child Poverty Reduction Advisory Council to develop a plan to achieve this goal; requires regular reporting to hold government to account; and directs the Advisory Council to evaluate policies proven to sharply cut child poverty including:

- Strengthening and expanding New York's Earned Income Tax Credit;
- Expanding and strengthening New York's child tax credit especially to include young children;
- Expanding work training and employment programs;
- Increasing access to subsidized housing vouchers; and
- Expanding access to subsidized child care.

To tackle child poverty, New York must not delay in implementing evidence-based strategies proven to reduce child poverty and move families into economic stability. New York should begin, this year, by expanding and strengthening New York's Empire State Child Credit.

Since its creation in 2006, the state's child tax credit – the Empire State Child Credit – has inexplicably excluded young children under the age of four from coverage. At present, New York's Empire State Child Credit provides eligible taxpayers a credit equal to 33% of the federal child tax credit that existed prior to the passage of the 2018 federal tax overhaul, or $100 per qualifying child, whichever is greater, for children ages 4 through 17. The credit begins to phase out for single filers at $75,000 and for joint filers at $110,000 adjusted gross income. In tax year 2018, 1,394,144 New York families received this credit. The average claim amount was $444 per family.[7]

In the SFY 2020-21 **Executive Budget**, the Governor proposed to begin to eliminate this exclusion of young children by expanding the Empire State Child Credit to include children under age four in low-income families. Unfortunately, this proposal was dropped from the final budget when the pandemic hit New York, and was not reintroduced in this year's budget, missing an opportunity to make the state's child credit play an even more powerful role in child poverty reduction.

New York, this year, should extend the Empire State Child Credit in the manner set forth in A.3146 (Hevesi). This bill would expand the Empire State Child Credit to cover currently excluded young children and those children living in deep poverty, increase the maximum available credit to $500 for all children, and provide an enhanced maximum credit of $1,000 for the youngest New Yorkers (who experience poverty at higher rates than other children, and are more vulnerable to its impacts). Robust refundable child tax credits and child allowances, like that proposed in A.3146, have been shown be among the most effective strategy for reducing child poverty. The landmark 2019 *Consensus Study Report: A Roadmap to Reducing Child Poverty* by the National Academies of Sciences, Engineering, and Medicine found that a $250 per month child allowance for low-income children could, by itself, reduce child poverty nationally by more than 40%. If New York were to provide a $1,000 credit for young children, adding that to the $2,000 per child federal child tax credit, tens of thousands of young, low-income New York children would receive the equivalent of an allowance equal to $250 per month.[8] Creating a robust young child tax credit in New York through our Empire State Child Credit would have the added benefit of providing much needed support to immigrant families ineligible to access many other supports – including the federal child tax credit and many of the federal pandemic supports provided over the past year – as New York's child tax credit is structured such that it is available to many hard-working immigrant families.

We urge passage of the Child Poverty Reduction Act S.2755-A/A.1160 this session or its inclusion in the enacted budget and, as a first step toward meeting the state's child poverty reduction targets, passage of A.3146 to expand and strengthen the Empire State Child Credit. These actions would put New York on track to turning the tide on child poverty.

EXPAND NEW YORK'S EARNED INCOME TAX CREDIT TO COVER YOUNG CHILDLESS ADULTS AGES 18 THROUGH 24 AND IMMIGRANT NEW YORKERS, AND STRENGTHEN THE CREDIT FOR NEW YORK FAMILIES

Working family tax credits like the child tax credit and EITC encourage work because the credit amount 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.[9] The pandemic has had a particularly detrimental impact on young adult engagement in the workforce, with this age group experiencing unemployment at rates dramatically outpacing that of other age groups, with Black and Asian American/Pacific Islander men hit particularly hard.[10] **E**xclusion of this age group from the EITC exacerbates the risk of them 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.[11]

Eighteen percent (276,000) of young adults ages 18 through 24 lived below the poverty level, far exceeding the 13% poverty rate for all New Yorkers, in 2019, before the pandemic.[12] 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 in 2019 were 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 (56,000) are neither in school nor working.[13]

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.

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.[14] It also excludes many otherwise eligible immigrant New Yorkers. In tax year 2018, 1,487,292 New York State taxpayers filed EITC claims. The average credit for a family with two children was $1,078.[15]

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 in the manner set forth in A.1080 (Bronson); and (3) adjusting filing requirements so that more hard working immigrant New Yorkers can file for the state EITC.

A RECOVERY THAT CENTERS ALL NEW YORK CHILDREN AND FAMILIES

As New York turns the corner to pandemic recovery, we urge the Legislature and the Governor to pass a 2021-22 Budget that centers our children; prioritizes communities hit hardest by the pandemic and essential workers who saw us through; and uses this time of rebuilding as an opportunity to build systems that are aligned, coordinated, well-resourced, and anti-racist.

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

Dede Hill, Policy Director
Schuyler Center for Analysis and Advocacy
518-463-1896 x138 / Dhill@scaany.org
www.scaany.org

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[1] Schuyler Center for Analysis and Advocacy. 2021. The State of New York's Children. Data Book: January 2021. https://scaany.org/wp-content/uploads/2021/01/SONYC-Data-Book-2021.pdf

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[3] National KIDS COUNT. 2020. Children in poverty by race and ethnicity in New York. https://datacenter.kidscount.org/data/tables/44-children-in-poverty-by-race-and-ethnicity#detailed/2/34/false/1729/10,11,9,12,1,185,13/324,323

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[5] United Hospital Fund. 2020. COVID-19 Ripple Effect: Impact of COVID-19 on Children in New York State. Part 2: Children Newly In or Near Poverty due to COVID-19 and Additional Long-Term Effects. https://uhfnyc.org/media/filer_public/3b/e3/3be3ae10-7b6b-468b-ad45-10d8ff5ab87a/covid_ripple_effect_part_2_final.pdf

[6] National KIDS COUNT. 2020. Children in poverty by race and ethnicity in New York. https://datacenter.kidscount.org/data/tables/44-children-in-poverty-by-race-and-ethnicity?loc=1&loct=1#detailed/2/34/false/1729,37,871,870,573,869,36,868,867,133/10,11,9,12,1,185,13/324,323

[7] Schuyler Center for Analysis and Advocacy. 2021. The State of New York's Children. Data Book: January 2021. https://scaany.org/wp-content/uploads/2021/01/SONYC-Data-Book-2021.pdf

[8] Consensus Study Report: A Roadmap to Reducing Child Poverty. *National Academies of Sciences, Engineering, and Medicine*. February 2019. https://sites.nationalacademies.org/DBASSE/BCYF/Reducing_Child_Poverty/index.htm pp. 158-164.

[9] Kids Count Data Center: A Project of The Annie E. Casey Foundation. New York: Population in poverty. (2017). https://datacenter.kidscount.org/data/tables/51-persons-18-to-24-in-poverty?loc=1&loct=2#detailed/2/2-53/false/871,870,573,869,36,868,867,133,38,35/any/337,338; https://datacenter.kidscount.org/data/tables/52-population-in-poverty?loc=1&loct=2#detailed/2/2-53/false/871,870,573,869,36,868,867,133,38,35/any/339,340

[10] Elise Gould and Melat Kassa. Young Workers Hit Hard by the COVID-19 Economy: Workers Ages 16-24 Face High Unemployment and an Uncertain Future. Economic Policy Institute. October 14, 2020 https://www.epi.org/publication/young-workers-covid-recession/

[11]Maag, Elaine. (July 2018). Who Benefits from Expanding the EITC or CTC? *The Urban Institute.* https://www.urban.org/sites/default/files/publication/98829/who-benefits-from-expanding-the-eitc-or-ctc_understanding-the-intersection-of-the-eitc_0.pdf

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[14] 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.

[15] Schuyler Center for Analysis and Advocacy. 2021. The State of New York's Children. Data Book: January 2021. https://scaany.org/wp-content/uploads/2021/01/SONYC-Data-Book-2021.pdf