



**Testimony of Day Care Council of New York
Before the New York City Council Committee on Contracts,
Honorable Julie Won, Chair
Committee on Youth
Honorable Althea Stevens, Chair
Committee on Aging
Honorable Crystal Hudson, Chair
Regarding Late Payments to Early Childhood Education Providers**

January 30th, 2023

Presented By Gregory Brender, Chief Policy and Innovation Officer

Thank you Chairs Won, Stevens, and Hudson, and members of the New York City Council Committees on Contracts, Youth, and Aging for convening this important hearing and for the opportunity to testify. The Day Care Council of New York (DCCNY) is the membership organization of early childhood provider organizations in New York City. DCCNY supports its member organizations and New York City's early childhood field at large through policy research and advocacy, labor relations and mediation, professional development and training for early childhood educators, directors, and staff, and referral services for parents looking to find child care. DCCNY member organizations provide early care and education at over 200 sites in neighborhoods across all five boroughs.

Most DCCNY member organizations work with contracts with the New York City Department of Education. DCCNY member organizations also provide early childhood education through privately funded programs and the Federal Office of Head Start. DCCNY member organizations operate in all five boroughs and employ over 4,000 New Yorkers, most of whom are black and brown women.

DCCNY is proud to be a leader of Campaign for Children and our recommendations are aligned with that coalition.

We are deeply disappointed to report that DOE still needs to undergo systemic reform in order to ensure that its providers are paid on time. Child care centers operating with DOE contracts are struggling to keep their doors open. Already one major provider of services to children and families made the painful decision to close their early childhood programs and many more may be forced to do the same if this crisis does not end.

On October 19th, the City Council Education Committee held an oversight hearing on the Division of Early Childhood Education focused heavily on the issues surrounding late payments. At that hearing, part of our testimony shared the results of a survey we conducted of 159 centers and Family Child Care Networks operating through FY 2022 contracts with DOE. The survey uncovered that:

- 29% of respondents had at least one unregistered contract
- Only 13.2% of respondents were able to submit an invoice through PreKids Vendor Portal for their June 2022 expenses
- 41.5% of respondents had missed payroll or delayed vendor payments due to delayed payments from DOE

We also reported on a research note using data from Checkbook NYC that SeaChange Capital released in September showing:

- A cumulative cash flow deficit of \$464 million in City contracts when comparing the funds approved to invest in early childhood education and the funds received by providers
- Nineteen organizations with a deficit of \$5 million or more
- Deficits were as high as \$35 million in individual organizations.¹

Thanks in large part to the City Council bringing attention to the issue, the Department of Education made a public commitment to:

- Pay all providers at least 75% of their negotiated contract value for FY 2022. Providers were guaranteed this level of funding in the requests for proposals which they responded to in 2019.
- Establish a rapid response team to help providers address issues with their FY 2022 invoices

DOE also took the important step of allowing providers to invoice for multiple months at the same time, although as of this testimony, that functionality has only been enabled for FY 2022 invoices.

However, these actions have not stopped the crisis. Many providers have not been paid for their full FY 2022 contract value. A recent follow-up analysis from SeaChange Capital uncovered that, based on the information publicly available in Checkbook NYC:

¹ SeaChange Capital Partners. *Early Childhood Education: How Much More Can Nonprofits Endure?* September 23, 2022
<http://gd7xi2tioeh408c7o34706rc-wpengine.netdna-ssl.com/wp-content/uploads/2022/09/SeaChange-Research-Note-Early-Childhood-Education.pdf>

- There is a \$95 million gap between what has been paid to providers for their FY 2022 contracts and the guaranteed 75% minimum of contract value
- There is a \$398.8 million gap between what has been paid to providers for FY 2022 and funds budgeted for their contracts

And this is just for FY 2022. We are now more than halfway through FY 2023 and the systems DOE uses continue to prevent providers from being paid on time

This crisis is causing:

- Missed payroll, forcing ECE committed staff members to look for new jobs or struggle to make ends meet
- Missed payments to vendors
- Missed payments for employee benefits.

The City must act immediately to fix its systems. DCCNY makes the following recommendations:

- Pay ALL providers their full contract value for FY 2022 immediately;
- Migrate invoicing and payment processes from DOE's PreKids system to MOCS' (Mayor's Office of Contract Services) Passport system, in line with other human services contracts which would simplify the process for providers;
- Pay FY 2023 invoices promptly assuring the ability for providers to bill for more than one month at a time and that the lag between invoicing and reimbursement never exceeds 30 days; and
- Hold providers harmless from enrollment penalties as long as DOE controls enrollment.

DCCNY also makes the following urgent recommendations to strengthen early childhood education in New York City.

Continue the Unfinished Work of Salary Parity

Thanks to the leadership of the City Council and Administration, the FY 2023 budget includes a \$46 million investment in bringing community-based early childhood educators closer to salary parity with their counterparts in public schools as well as a Cost-of-Living Adjustment for the human services workforce. DCCNY looks forward to working with the City Council and the administration to utilize these and other funds to ensure that the community-based early childhood workforce finally gets the parity that it deserves.

DCCNY urges the City to make the following commitments to the early childhood workforce:

- Implement longevity increases for the community-based early childhood workforce on par with increases for comparable positions in public schools.
- Adjust salaries for directors and support staff to parity with comparable positions in the Department of Education.

Implement Community-Based Enrollment

The launch of DOE's Centralized Enrollment System stripped community-based organizations of the power to process their own enrollment. This change required all families to go through DOE's Centralized Enrollment System.

Under DOE's Centralized Enrollment System, there have been significant wait times for families' applications for child care subsidies to be approved leaving vacant seats in child care centers and family child care homes and putting stressors on parents' trying to access affordable child care. Moreover, many families are weary of engaging with government agencies and feel safer with and better served by community-based organizations with whom they already have trusting relationships.

In the summer of 2021, DOE briefly allowed providers to enroll families after the CBO itself had done a complete eligibility check. This empowered CBOs to serve eligible families immediately and helped them to leverage their community relationships. However, this policy ended with the start of the school year on September 10, 2021.

Local community-based early childhood providers have strong connections to the neighborhoods they serve. DCCNY urges the City to allow community-based enrollment in contracted early childhood education programs, thus leveraging the strong existing relationships and ensuring that families are able to quickly access the child care programs in which they want to enroll their children. This strategy also gives CBOs a fair chance at meeting their contracted enrollment.

Thank you for the opportunity to testify. I am happy to answer any questions and can be reached at gbrender@dccnyinc.org