



**Testimony of Day Care Council of New York
Before the New York City Council Committee on Contracts, Honorable Julie Won, Chair,
Regarding Interest on Late Payments to Nonprofits**

October 25th, 2023

Prepared by Gregory Brender, Chief Policy and Innovation Officer and Shelby Lohr, Policy Analyst

Thank you Councilmember Won and members of the Committee on Contracts for the opportunity to testify. My name is Shelby Lohr and I am here on behalf of the Day Care Council of New York.

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 Public Schools. 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 member of Campaign for Children, and our recommendations are aligned with that coalition.

Late DOE Payments

Late payments continue to put New York City's early childhood education providers at risk of closure and in a state of crisis. DCCNY visited dozens of provider sites over the summer and surveyed over 250 early care and education providers. Of those providers, 64% remained

unpaid for previous months' services. That is, the majority of early care providers had to rely on personal loans and business loans to cover this payment gap.

In interviews with DCCNY member organizations, we heard time and again that late payments added significant financial strain, particularly because providers must bear the brunt of late fees and interest incurred for the months awaiting NYCPS/DOE payments. Of the centers that had to bridge payment gaps, 25% obtained a business loan, 26% took out a personal loan. Other options providers sometimes took to help with these costs included external grants (13%) and private funds (34%).

When these loans cover an entire payroll, the interest for even a single month creates a crippling financial burden, especially for the already resource-limited early care providers.

Unfortunately, issues with late payments remain a core challenge to the operation of early childhood education facilities. This has been demonstrated through surveys and research time and again.

In October 2022, DCCNY conducted a survey 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

In September 2022, SeaChange Capital released a research note using data from Checkbook NYC 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

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-ResearchNote-Early-Childhood-Education.pdf>

A follow-up analysis from SeaChange Capital uncovered that, based on the information publicly available in Checkbook NYC:

- There was 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 eight months into FY 2023 and the outdated systems that 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

DCCNY appreciates the City Council's work to ensure that child care providers are paid on time. On-time payment is crucial for the stability of New York City's child care providers.

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