Day Care Council of New York Testimony to the New York City Council
Subcommittee on Early Childhood Education
Jointly with the Committee on Small Business
Oversight Hearing: The Business of Child Care
October 29, 2026

Good afternoon, Chair Gutiérrez, Chair Thomas-Henry, and members of the Subcommittee on Early Childhood Education and Committee on Small Business. My name is Shelby Lohr, and I am senior manager of policy and advocacy at the Day Care Council of New York.

DCCNY represents nearly 300 center-based child care providers operating approximately 13,000 publicly funded seats across New York City. Our members are both nonprofit organizations and small businesses. Among other things, child care providers must meet payroll, cover rent and insurance, purchase food and supplies, comply with extensive regulations, and recruit staff.

Providers are expected to maintain a quality program without predictable revenue, timely payment, adequate rates, reasonable control over enrollment, and the ability to adjust services in response to demand. That is, child care providers are expected to operate like businesses, but the public systems they depend on often prevent them from doing so. These challenges are reflected in our September 2026 brief, “Voices from DCCNY's Members: Building a Stronger, More Responsive Contracted Early Childhood System,” which draws on our members' experiences and recommendations for improving the City's contracted early childhood system.

1. Providers struggle to operate when faced with late and unpredictable contract payments

Providers struggle to operate in conditions where payments are unpredictable, and providers cannot budget responsibly when they do not know when public funding will arrive. Late payment is not a temporary inconvenience.

In a 2023 DCCNY survey of more than 250 early care and education providers, 64 percent reported that they remained unpaid for the prior month’s services. Among providers forced to bridge these payment gaps, 25 percent obtained business loans and 26 percent took out personal loans. Others relied on external grants or their own private funds to sustain their operations.

In other words, providers and their leaders are borrowing money, sometimes even personal funds, to finance services supported by a City contract. In many cases, it is their sole revenue source. Providers are forced to absorb the interest and late fees resulting from these delays, ultimately reducing available funds to support classroom staff, food, supplies, and professional development.

These payment challenges are compounded by fragmented contracting and invoicing systems, including PASSPort, NYCPS's Vendor Portal, and Pre-KIDS, as well as inconsistent guidance and procedures across NYCPS finance and operations functions that create confusion and processing backlogs. NYCPS's planned Early Childhood Management System (ECMS) presents an opportunity to address these inefficiencies, but modernization must also include standardized internal procedures, greater transparency, and meaningful provider input.

Child care providers should not be required to deliver services indefinitely without payment. City contracts should be finalized and registered before services begin. Advances and payments must arrive on a clear, enforceable schedule, with transparent escalation procedures when an invoice stalls.

2. The reimbursement rate does not reflect the cost of the service being purchased

United Neighborhood Houses recently estimated that the true annual cost of high-quality, center-based early childhood education is approximately $34,500 per child, which is approximately $12,600 more per child than current contracted figures. This estimate reflects the cost of qualified teachers, staff coverage, food, insurance, rent, utilities, social workers, and the other components of a stable, high-quality program.

Further, DCCNY's September 2026 RFP brief, "Voices from DCCNY's Members," reached the same conclusion: funding must reflect the true cost of meeting program requirements. Rates should account for required staffing ratios and qualifications, competitive compensation and benefits, program hours, occupancy, insurance, utilities, food, supplies, and other real operating expenses. Our members have consistently emphasized that when reimbursement rates fail to keep pace with rising operating costs, providers are forced to make difficult financial decisions that threaten workforce stability and program sustainability.

The City cannot continue to mandate specific staffing models and ratios, extended days, mandatory credential levels, or service standards without funding what those requirements actually cost.

3. Providers are penalized for low enrollment but lack mechanisms to increase enrollment

Providers are held financially responsible for enrollment outcomes that fall outside their control. New York City Public Schools oversees the centralized enrollment and seat-allocation process for 3-K, Pre-K, and contracted child care. While providers may conduct outreach, give tours, and develop relationships with families, providers are generally unable to engage in on-site enrollment for eligible families that want the seat.

At the same time, a provider's funding can be reduced because of under-enrollment. When the City controls placement, application processing, eligibility determinations, and seat allocation, providers should not be financially penalized for delays and vacancies produced by that system. Programs in public schools have protections from enrollment-based penalties, and community-based child care programs deserve comparable treatment.

This issue is compounded by the fact that program expenses do not decline with vacant seats. A center must still maintain staff to meet ratios and pay for rent, utilities, and insurance. As our members have emphasized, providers cannot simply reduce staffing or other fixed operating expenses when enrollment falls, particularly when the City controls the enrollment and placement processes that determine their revenue.

Contracts should provide a stable minimum revenue level that supports required staffing, facilities, and other fixed costs. Where the City controls centralized enrollment, providers should be held harmless from enrollment risk caused by placement delays, administrative barriers, or other conditions outside their control.

We must develop a sustainable child care system.

Providers are responsible for payroll, facilities, staffing, compliance, quality, and service continuity. Yet government contracts determine reimbursement rates, payment timing, seat allocations, and service models, often leaving providers with limited control over the financial conditions under which they operate.

A sustainable child care system must allow providers to maintain solvency. Some principles to achieve this include:

1. **Pay providers fully and on time.** Contracts should be registered before services begin, and payment timelines should be clear, predictable, and enforceable.
2. **Fund the actual cost of quality.** Rates must reflect staffing, compensation, benefits, facilities, food, insurance, supplies, family supports, and other required operating expenses, with annual cost escalators.
3. **Do not assign providers enrollment risk they cannot control.** Contracts should include a stable funding floor and include hold-harmless provisions when centralized enrollment, placement delays, or administrative barriers cause vacancies.
4. **Let providers respond to family demand.** Providers need reasonable flexibility to adjust ages, seat types, program hours, and service models based on documented neighborhood needs.
5. **Streamline contracting and administrative processes.** The City should improve coordination across contracting and invoicing systems, standardize NYCPS financial and operational procedures, and ensure that modernization efforts, including ECMS, reduce administrative burdens and improve payment transparency.

New York City cannot build universal child care on an operating model that destabilizes the providers expected to deliver it. If we want child care to be reliable for families, child care must first be financially and operationally sustainable for providers.

Thank you for the opportunity to testify. DCCNY looks forward to working with the Council and Administration to create a system in which providers can operate responsibly, educators can build stable careers, and families can obtain care when they need it.

Sources

- Day Care Council of New York, *Voices from DCCNY's Members: Building a Stronger, More Responsive Contracted Early Childhood System*, September 2026.
- Day Care Council of New York, Testimony on Late Payments to Early Childhood Education Providers, January 30, 2026.
- Day Care Council of New York, *Care When Families Need It*, May 2025.
- Gothamist, "NYC childcare providers say city contract rates fall $12.6K short per child", summarizing United Neighborhood Houses' September 2026 cost analysis.
- New York City Employment and Training Coalition, "UNH's New Report on Child Care", October 2026.