Testimony of United Neighborhood Houses
Before the New York City Council Committee on Education
Councilmember Rita Joseph, Chair

Oversight: Funding Cuts to 3-K
and Delayed Reimbursements to Early Childhood Education Providers

Submitted by Irene Lew, Senior Research Analyst
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Thank you Councilmember Rita Joseph and members of the Council Education Committee for the opportunity to testify today. My name is Irene Lew, and I am the Senior Research Analyst at United Neighborhood Houses (UNH). UNH is a policy and social change organization representing 46 neighborhood settlement houses, 40 in New York City, that reach 765,000 New Yorkers from all walks of life. UNH is also a founding member of the Campaign for Children (C4C), a coalition representing more than 150 children and youth service providers, advocates and community-based organizations in New York City.

New York City settlement houses in the UNH network operate 70 Department of Education (DOE)-contracted center-based child care programs which provide year-round, full-day programs for children 0-4 years old, and/or Pre-K for All and 3-K for All Programs that offer school-day programs. Nine settlement houses run DOE-contracted Family Child Care Networks, and 10 operate Head Start or Early Head Start programs directly contracted with the federal Office of Head Start. Several also run fee-for-service early childhood education programs. Collectively, settlement houses serve an estimated 12,000 children under the age of 5 citywide.

In Mayor Eric Adams’ Blueprint for Child Care and Early Childhood Education released on June 28, 2022, one of his priorities is to “lay a foundation for a multi-pronged approach to child care that focuses on accessibility, quality and equity for families and the child care workforce.” His blueprint detailed many actions for system accessibility and expansion. Last fall, Mayor Adams signed the Universal Child Care Act, a package of seven child care bills that he claimed would help fulfill the commitments he laid out in the blueprint to expand access to child care. While the Adams Administration’s goal of creating a universal child care system is well-intentioned, the Administration and the Department of Education have failed to adequately address the systemic and persistent challenges facing the City’s CBO early childhood education providers, especially around prompt payment for the hundreds of millions of dollars still owed to providers. Further, this Administration’s actions undermine this goal, per the $568 million cut to expanding the 3-K program for FY 2024 initially proposed in the FY 2023 November budget modification.

We urge the Administration to prioritize paying providers, as well as undertake critical operational reforms needed to stabilize and strengthen the City’s early childhood education system.
**Addressing Debilitating Delays in Payments to Providers**

Early childhood education providers who contract with the DOE face a debilitating crisis of delayed contract reimbursements for FY 2022 and FY 2023. One of our members operating several center-based EarlyLearn programs and a Pre-K program reported that the City still owed them nearly $1.3 million for FY 2022 contracts, as of January 13. Nearly eight months since the start of the current fiscal year, a number of our members still have not received any reimbursement for FY 2023 aside from advances. At the same time, the DOE notified providers earlier this week that they would begin recouping FY 2023 advances starting with February 2023, although providers are still owed eight months of payments for their FY 2023 contracts.

In an effort to address delayed payments to providers, the DOE announced a partnership with the Mayor’s Office in November 2022 to deploy a “rapid response team” of cross-functional analysts and operational personnel that would provide 1:1 support to CBO early childhood providers with submitting their invoices for FY 2022, ensuring that they are up to date on FY 2023 invoices, and helping them get paid promptly. While providers have acknowledged contact from a member of the Rapid Response Team and some support with addressing issues in PreKids, the electronic vendor portal system for invoice submission, they continue to experience significant difficulties in getting FY 2022 and FY 2023 invoices paid, as well as significant delays in having their FY 2023 budgets approved. One of our members shared that they have worked with as many as 20 different DOE staff members to resolve an issue. Other members have shared that communication and messaging from the DOE is often disjointed and inconsistent when it comes to certifying attendance reports, approving and discharging enrollment, further adding to payment delays. Rather than devoting their time to delivering high-quality early childhood programming to children and families in their communities, providers are spending as much as 12 hours a day to ensure that budgets are approved and to verify children in the system. As one of our members noted, this work is “extremely time-consuming and exhausting. We’re paid to serve the community but that energy is getting eaten up by this dysfunction.”

Providers in the UNH network are experiencing severe financial cash flow hardships due to delayed payments for FY 2022 and FY 2023. One settlement house member informed us that as of January 30, they are still owed more than $200,000 for FY 2023, and are currently deferring the purchase of classroom supplies or non-essential items so that they have enough money for payroll. The member notes that they are working with a budget deficit at the beginning of the school year, but must then scramble to spend the $200,000 remaining in their budget by the end of the fiscal year after the DOE has finally approved their invoices: “We are working with nothing in the beginning and trying to hold on to it.”

To ensure FY 2023 and future contracts are paid on time, the City must fix their complex back-end system for invoice submission and approval. DOE recently adjusted its vendor portal system to allow providers the option of submitting multiple monthly invoices at one time for FY 2022 contracts, and informed providers this week that this option is now available for FY 2023 invoices. However, the DOE has not indicated whether they would permit providers the option of batch invoice submission beyond FY 2023. This is troubling given that multi-month submission can help address the backlog in payments; without this option, providers can only upload material one month at a time and must wait for each month to get approved before they can move on to input the subsequent month. One of our members reported that they have not received any payment for FY 2023 invoices due to backlogs in monthly invoice submission and approval; since their July...
2022 invoice has not been approved and paid out, they are unable to input other invoices for FY 2023, which has now put them six months behind in invoicing.

UNH urges the City to take the following steps to ensure that providers achieve financial stability:

- Immediately complete back payments and bring all center-based providers up to no less than 75 percent of their full contract value for FY 2022
- Increase providers’ FY 2023 advance payments to 75 percent of full contract value to address emerging and serious payment delays for the current fiscal year
- Extend providers’ ability to batch and submit multiple months of invoices for FY 2024 and beyond, as well as maintain DOE Rapid Response Teams for FY 2023 and future years
- Separate the system supporting enrollment data collection from the system responsible for invoicing and payments; and migrate DOE invoicing and payments out of the Pre-KIDS system and into MOCS (Mayor’s Office of Contract Services) PASSPort system by FY 2024.

Furthermore, UNH supports Intro 843, which would require the DOE to report on invoices received from early childhood care and education providers that the DOE has contracted with to provide these services. The bill would require the DOE to report on metrics such as the number of invoices in total, the number of fully or partially paid invoices, the average amount of time it takes to process, and the number of invoices outstanding in value and percentage. We believe these reports provide much-needed clarity and transparency for providers on the status of submitted invoices, as well as hold the DOE accountable for paying providers promptly and on time. In addition, we recommend that these reports be made available to the public, similar to the way in which PASSPort data on contract processing and registration from MOCS is easily accessible online via PASSPort Public. For these reasons, we urge the City Council and Administration to pass Intro 843.

Aligning 3-K Seats to Match Families’ Needs and Preserving 3-K For All

The City has increasingly turned to CBOs to expand the 3-K program. The Independent Budget Office (IBO) found that during the last school year, nearly three-quarters (74 percent) of 3-K students attended contracted New York City Early Education Centers (NYCEECs), which include programs operated by CBOs, Early Learn programs, and Head Start programs. The City’s expansion of 3-K for three-year-olds has largely been fueled by federal COVID-19 relief funding that will expire by the 2024-2025 school year. The impact of this federal investment has been notable: the number of children enrolled in 3-K has roughly doubled since the 2019-20 school year, rising from 17,500 in 2019–20 to 35,700 in 2022–23. Now the DOE guarantees a seat for every 3-year-old in 12 of the City’s 32 community school districts.

Yet, the expansion of 3-K is at risk. After COVID-19 relief funds expire, the IBO projects that the 3-K program will be faced with a shortfall of $92 million for the 2025-2026 school year. However, rather than increasing its investment to address this funding gap, the City’s response to the

1 https://www.ibo.nyc.ny.us/iboreports/Testimony_DOE_EarlyEducationHearing_101922.pdf
2 https://www.advocatesforchildren.org/sites/default/files/library/sustaining_progress_call_to_action.pdf?pt=1
Expiration of federal COVID-19 relief in 2026 has been to cut $568 million to the 3-K expansion over two years in the November 2022 modification to the City’s FY 2023 budget. The Administration noted that this is a reallocation of federal stimulus funds to reflect a “right-sizing” of the program and unfilled seats. The Administration has argued that these cuts do not represent a rollback of its promise to expand 3-K, noting that it would redistribute an estimated 40,000 unfilled seats to better match demand from families.

The rapid expansion of the 3-K and Pre-K programs created excess seats for 3- and 4-year-olds in certain communities. However under-enrollment or unfilled 3-K seats in these neighborhoods are not a reflection of reduced demand from families for this program—instead, it reflects a mismatch between the type of early childhood care and education needed by the City’s families and the seats that are currently available to them. Available 3-K seats are typically school-day/school-year seats that do not meet the needs of working families who require full-day/full-year care. Yet, providers awarded seats under the DOE’s new birth-of-five system are hamstrung by limited flexibility in converting seat types based on the preferences of the families they serve, which hinders their ability to effectively respond to the needs of their communities. Providers in our network have reported struggling to meet the demand for extended-day seats for 3- and 4-year-olds: one settlement house reported that families have approached them with requests for extended-day seats for 3-year-olds but they did not have the flexibility to open up more seats and were unable to change over seat types to accommodate families. One settlement house noted that they have considered offering these seats as private-pay seats in order to fill them, but families cannot afford to pay even the lowest estimated price required to pay for supplies.

Under-enrollment in 3-Ks is also representative of the ways in which the City has failed to work directly with CBO providers to address unfilled seats in their programs and best target outreach to families in their respective communities. As DOE controls the enrollment process, parents do not have the ability to connect directly with community providers to enroll their children when seats do become available. CBO providers have shared that they are often competing with neighboring DOE schools to fill open 3-K and Pre-K seats.

Ultimately, the proposed $568 million cut to 3-K moves New York City away from the path to universal child care and fails to keep the promise of 3-K for All. Many families who may have counted on early care and education for their three-year-olds will no longer have a subsidized option. As of 2022, the estimated annual cost of care and education for preschoolers in New York City is $16,900, which would consume 23 percent of the City median household income for families with three- or four-year-olds.4

To order to preserve 3-K for All, UNH urges the City to:

- Commit to fund current 3-K program levels and restore the timeline for the 3-K expansion.
- Convert existing 3-K school day / school year seats, to extended-day, year-round seats and ensure 3-K expansion efforts prioritize creating new capacity for extended day, year round seats.
- Invest a robust level of resources in linguistically and culturally appropriate on-the-ground and multimedia marketing, community engagement and enrollment efforts for 3-K.

Reform enrollment procedures so that community based organizations have the option of directly enrolling children whose families apply for 3-K, Pre-K or child care.

Meeting the Childcare Needs of Immigrant Families

Furthermore, in addition to an investment in culturally-appropriate outreach on 3-K to families, the City should invest in an extension of the Promise NYC program to provide subsidized child care to low-income undocumented children. Due to restrictions on certain funding sources, the only public programs that undocumented children can currently join are 3-K and Pre-K programs and federal Head Start. This leaves a major gap in care for undocumented immigrants, including the more than 44,000 recent asylum seekers in New York City. Under Promise NYC, four providers, including three settlement houses, have contracted with the City to implement the child care voucher program in each of their respective boroughs. The 6-month program is expected to serve 600 children citywide for the remainder of the school year from January through June. Although Promise NYC was funded with $10 million in the City’s FY 2023 budget, this funding was secured before the majority of new asylum seekers arrived in New York City, and it was not baselined. We urge the City to baseline funding for Promise NYC in the FY 2024 budget so that undocumented families can continue to access the affordable, subsidized child care they need.

Investing in Salary Parity for the CBO Early Childhood Education Workforce

As part of preserving the promise of 3-K of All and creating a more equitable and accessible early childhood system that meets the needs of the City’s families, the City must also invest in the child care workforce, specifically staff at early childhood education programs operated by settlement houses and other CBOs who have historically been underpaid relative to their counterparts at the DOE. UNH settlement house members report that the main obstacle for hiring and retaining staff in early childhood education programs is low salaries, which are required due to low contract values. On average, a head teacher with a master’s degree working for a settlement house-run early childhood education program earned $63,507 a year in 2021, 24 percent below the annual average salary earned by their DOE counterparts.

Lack of parity between the DOE and the CBOs is leading to higher vacancy rates and making it difficult for CBOs to fill and retain critical positions. One settlement house member reported that 20 percent of staff positions in their early childhood education programs were vacant as of September 1, 2022. Center-based programs are left with staff shortages, preventing them from running at full capacity due to required children-adult ratios. One settlement house reported that their enrollment is impacted by staffing issues, noting that “one of our enrollment challenges continues to be competition with the DOE for certified teachers and other staff so we can't enroll more children beyond who we can safely serve.” Another reported that it has received requests for child care support from asylum-seeking families but are unable to serve them due to staff shortages: “We have a waiting list of about 65 kids and a bunch of empty classrooms, but we don’t have the staff.” Similarly, another member is operating an early childhood program that is half-staffed and half-enrolled, noting that it is difficult to recruit staff when their certified teachers earn $10,000 less than what DOE pays for certified teachers at a school-based site. Furthermore, high turnover rates threaten the stability and continuity of care that is necessary for young children’s behavioral and cognitive development.

In 2019, the City attempted to address pay parity concerns by reaching a contract with certified early childhood education lead teachers working in community-based centers that brought their salaries on par with the salary of an entry level 10-month DOE teacher. However, the agreement
did not account for regular increases or longevity bonuses, nor did it cover special education teachers. The last scheduled wage increase took effect in October 2021, and we are concerned that in the absence of negotiations to address outstanding issues from the 2019 agreement, the field will face a serious crisis in finding and retaining qualified, dedicated teachers to lead both general and special education classrooms.

Furthermore, the lack of pay parity between center-based program directors working for CBOs and their equivalent counterparts in the DOE remains an issue. In 2019 and 2020, discussions of pay parity for early childhood program directors were delayed, and directors are still working without a contract. Early childhood program directors, similar to DOE principals, dedicate their time and energy into making their programs the highest quality for the children they serve, and they deserve salary increases on par with DOE principals. UNH members have expressed their frustrations around losing program directors to the DOE, who they noted have been enticed by higher salaries. One early education administrator at a settlement house noted: “I can’t pay my director $100k. I can do $85k, although I know it’s not comparable to the amount of work that they do.”

Early childhood education support staff are also in urgent need of wage increases. The 2019 contract awarded the support staff a 2 percent increase which brought wages up to $15.75/hour. This rate is not only significantly lower than DOE equivalent jobs, but it is also lower than what some big box retail companies pay their employees in NYC. According to UNH’s 2021 member salary survey, a teacher’s aide or assistant working at a settlement house-run early childhood education program earned an average annual salary of about $33,600 in 2021—not far off from the federal poverty line of $26,500 for a family of four with two adults and two children. The City must increase wages for support staff to a minimum of $25 per hour so that community-based organizations can retain their experienced staff by offering competitive wages.

Furthermore, any parity agreement and wage increase incentive should also apply to staff working at family child care providers. Family child care providers account for a sizable share—61 percent—of the City’s child care providers licensed and registered by the NY State Office of Children and Family Services. Family child care providers, who are educators, but also small business owners, face unique challenges. New York State’s FY 2022-2023 enacted budget included $324 million in additional state funding to increase child care provider reimbursement rates from the 69th percentile to 80th percentile of the market rate. However, it is necessary to ensure that family child care providers are reaping the benefits of these higher market rates.

To stabilize the early childhood education workforce in FY 2024, UNH urges the City to:

- Fund a new labor contract that:
  - Advances childhood education parity between center and school based services, ensuring staff left out of the first phase of parity (early childhood directors, support staff in community based organizations and preschool special education teachers and support staff) are included
  - Factors longevity into salary increases
  - Establishes a minimum wage floor of $25 for all support staff.
- Ensure home-based family child care providers benefit from the increased child care provider reimbursement rate to 80th percentile of the market rate.

Thank you for your time. To follow up, you can contact me at ilew@unhny.org.