

March 2014

## Reviewing the Changes in City Child Care Enrollment

The Mayor's Preliminary Budget includes \$63 million a year in city child care funds that were added in the November 2013 Financial Plan. These newly baselined funds address some of the concerns over potential reductions in the number of children receiving subsidized care as a result of the transition of the city's child care system to EarlyLearn, a new service model designed to improve and standardize quality of care for preschoolers. This transition has been accompanied by a significant decrease in contracted enrollment, although some of the decrease would likely have occurred anyway.

**Background.** The Administration for Children's Services (ACS) administers the largest municipal child care system in the country, providing subsidies for 96,000 children as of January 2014. Subsidies are offered for three types of child care: informal care, family day care, and center-based care. The latter also includes those Head Start centers throughout the city that ACS administers as the recipient of a federal Head Start grant (other Head Start centers are operated by providers contracting directly with the federal government). These centers offer early childhood care and education programs to eligible children ages 3 and 4 from low-income working families. For many years the city-affiliated Head Start centers were administered separately from the child care program, but ACS recently blended them into one unified system.

Subsidy payments are made directly to providers under contract with ACS or through vouchers. Informal care is provided solely through vouchers, while family and center-based care is paid by a mix of contracts and vouchers.

Services are provided to two groups: public assistance families in work or training programs and low-income working families. Public assistance families are guaranteed

vouchers to pay for care in their choice of center-based day care, family day care, or informal care. Eligible low-income working families receive vouchers or slots in ACS contracted child care facilities as space permits.

**The Transition to EarlyLearn.** In April 2010, ACS began the groundwork for a new initiative, called EarlyLearn NYC, encompassing all contracted center-based and family child care, as well as the city-affiliated Head Start programs. The primary goal was to improve and standardize quality of care while expanding services to communities with the greatest need. The new EarlyLearn contracts began in October 2012 with many providers new to ACS.

The implementation of EarlyLearn blended two early childhood programs: contracted child care and Head Start. By design, it has had no impact on the number of child care vouchers offered by ACS. In 2012, the last fiscal year prior to EarlyLearn, vouchers were used by about 60 percent of the children enrolled in ACS child care or Head Start.

Initially, the expected program capacity was 41,764, a decrease of more than 7,000 slots from the combined capacity of contracted child care and Head Start in 2012. While the number of slots was expected to drop, the spending per slot was expected to grow. Thus, the original plan was based on a tradeoff between increased quality and decreased quantity.

After complaints from advocates, parents, providers, and elected officials about the impending contraction, the Bloomberg Administration added funding for 4,147 slots and the City Council funded another 4,919 slots. Therefore, as of the 2013 Adopted Budget the expected number of contracted slots had risen to 50,830, an increase of 1,859 slots compared with the capacity in 2012.



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There were important differences between the child care slots funded by the Council and those funded by the Bloomberg Administration, however. Unlike the EarlyLearn slots, these City Council child care slots were originally funded for just one year. Moreover, the contracts funded by the City Council were not issued under the terms of EarlyLearn, and ACS does not count them as part of its EarlyLearn system.

**Impact on Enrollment.** Although the long-term impact of EarlyLearn has yet to be determined, the initial phase has coincided with a significant decrease in contracted enrollment, although some of this decrease would have occurred without EarlyLearn; in particular, the shift of thousands of ACS Head Start slots previously administered by the city to independent providers.

In the years prior to the implementation of EarlyLearn, the city's subsidized child care system had shrunk considerably, as city funding cuts, a leveling off of federal funds and rising provider costs led ACS to cut back on capacity. Average child care enrollment decreased steadily from an all-time peak of 116,355 in fiscal year 2006 to 95,977 in 2012. Enrollment in Head Start, however, held relatively constant at around 18,000.

The new EarlyLearn contracts began to be implemented in October 2012. The rapid shift to a large number of new providers and new service locations created the potential for service disruptions for many families. Since it took some time for many of these providers to become fully integrated into the child care enrollment tracking system, reliable enrollment numbers are not yet available for the early months of the program. ACS is currently making an effort to pin down the enrollment numbers for fiscal year 2013. For now, reliable numbers are available for the first seven months of fiscal year 2014, and by comparing these to 2012 we can get a sense of the impact of the implementation of EarlyLearn on enrollment.

As expected, EarlyLearn has had no significant impact on the number of children receiving child care vouchers, which remains at about 69,000. While vouchers for low-income working families decreased by about 4,000 from 2012 to 2014, this was offset by an increase in the use of vouchers by families receiving public assistance.

On the other hand, there was a large decrease in contracted care enrollment. Total enrollment in ACS contracted center-

based and family care decreased by 14,614 from 43,293 in 2012 to 28,679 in 2014. When City Council contracts are included, the enrollment decrease is less, but it still fell by 10,842, or 25 percent.

Most of the decrease in contracted enrollment is a result of a decrease in capacity. At the time the 2013 budget was adopted, contracted capacity was expected to total 50,830, including 45,911 ACS slots and 4,919 City Council slots. Actual capacity for 2014 is just 40,886, however, including 36,695 ACS slots and 4,191 City Council slots.

Part of the decline is due to a shift in capacity from the city to independent providers of Head Start as a result of the federal decision to implement a new round of grant competition. Although these slots now fall outside of city control, they remain available to New York City families. The actual decline in enrollment in city-provided EarlyLearn Head Start was 5,019. In addition to the loss of city-provided Head Start slots, some providers rescinded seats due to difficulties in implementation. Finally, some funds had to be shifted from EarlyLearn to vouchers, as voucher families continued to shift away from informal to other care.

Beyond the decreases in capacity, some EarlyLearn providers appear to still be having difficulty achieving full enrollment, which is notable because under EarlyLearn reimbursement is based on enrollment rather than capacity. Over the last few months contracted enrollment has edged upward, however.

**Funding.** While public funding for subsidized child care has been tight for a number of years, in recent months funding has increased and there are signs of possible further easing in the future. The November plan baselined \$63 million in city funds, most of it to fund the City Council's contracted slots which had previously been funded one year at a time. Discussions between ACS and the City Council are ongoing about whether to incorporate these slots into EarlyLearn. In January, President Obama signed a federal spending bill which restores Head Start funds that had been scheduled for reduction under sequestration. In addition, the Governor's 2014-2015 Executive Budget proposes using state funds to provide a modest increase in the Child Care Block Grant subsidy allocations that help fund the city's child care system. Finally, the Mayor's plan to expand full-day prekindergarten could lead to a shift of significant numbers of 4-year olds from child care into pre-K, potentially freeing up child care funding for other age groups.