

February 2024

## Drifting From the Plan: Changes to Early Childhood Budgets

Early childhood programs in New York City have gone through significant policy, fiscal, and operational changes since 2014. The universe of early childhood programs now includes: childcare vouchers, subsidized childcare for infant and toddlers (six weeks to two years old) and three to five year-olds; 3-K programs for three year-olds; and pre-K programs for four-year-olds. While vouchers are administered by the Administration for Children’s Services (ACS), all other programs are now under the Department of Education (DOE) and will be the focus of this report.

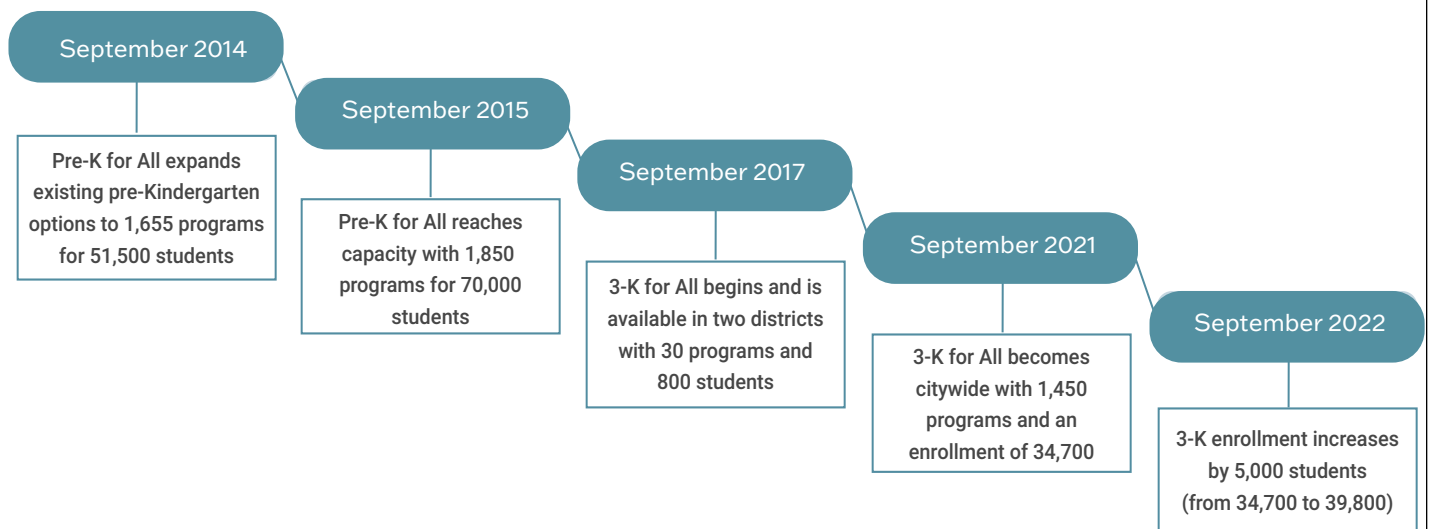
Over the last ten years, plans to expand the New York City early childhood system included as much as \$700 million of additional funding in a single year for DOE’s pre-K and 3-K programs, before subsequent financial plans reduced that expansion by \$300 million in some years. Recent financial plans

have also reduced funding for DOE’s subsidized childcare programs by over \$50 million each year. In this report the Independent Budget Office (IBO) outlines initial plans for the expansion of pre-K and 3-K programs, before providing analysis on recent budget and funding source changes. IBO also explores major budget and funding source changes for subsidized childcare programs.

### Pre-K and 3-K Programs

**Pre-K and 3-K Roll-Out and Expansion.** DOE has provided pre-K in districts schools on a limited basis for years prior to the 2014 expansion that brought universal access citywide rapidly over two years. Three years later, DOE’s 3-K program launched on a much smaller scale than pre-K and did not offer citywide access until five years later. More details are available in Figure 1. There were other key differences between the roll-out and expansion

Figure 1  
**Timeline of Pre-K and 3-K Roll-Out and Expansion**



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Figure 2

**Differences Between Pre-K and 3-K Roll-Out and Expansion**

	Pre-K	3-K
<b>Initial Expansion Plans</b>	Universal access citywide over two years (2014-2015 and 2015-2016)	Expand to 12 districts over four years (2017-2018 through 2020-2021) and universal access citywide starting in 2021-2022.
<b>Largescale media campaign for enrollment during initial expansion?</b>	Yes	No
<b>Existing seats in DOE district schools prior to expansion?</b>	Yes, mostly half-day, many of which were converted to full-day	No
<b>Existing seats in home and center-based care?</b>	Yes	Yes
<b>State funding for expansion?</b>	Yes	No
<b>Federal funding for expansion?</b>	No	Yes, time-limited federal Covid education aid that must be spent by September 2024
<b>Reductions to budget?</b>	Yes, in November 2023 and Preliminary/January 2024 Budgets	Yes, in November 2022, November 2023, and Preliminary/January 2024 Budgets
<b>Breakdown between enrollment in New York City Early Education Centers (NYCEECs, community-based organizations), charter schools, and DOE schools</b>	In 2022-2023, 51% in NYCEECs and 47% in DOE schools, and 2% in charter schools (seats in charter schools for recent years only).	In 2022-2023, 74% in NYCEECs and 26% in DOE schools
<p>SOURCES: IBO analysis of Mayor’s Office of Management and Budget publications; Department of Education student-level audited register data; public press releases</p> <p>NOTE: Community-based organizations are nonprofit providers engaged through competitive procurement and selected through requests for proposals. Prior to expansion of Pre-K for All, full-day pre-K seats existed in CBO providers.</p>		

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including where children are enrolled—in New York City Early Childhood Centers (NYCEECs, community-based organizations), DOE (including stand-alone pre-K centers and district schools), and charter schools—and how the programs are funded (Figure 2).

**Initial Plan for Funding 3-K Expansion Citywide.**

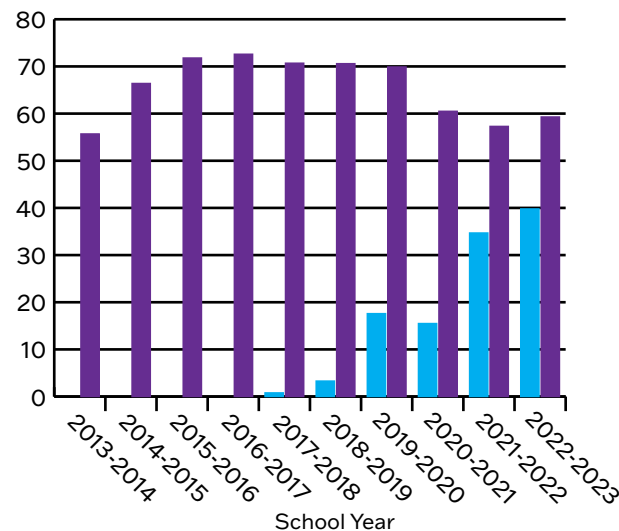
Unlike pre-K, 3-K did not secure state funding for the program or its expansion. As discussed in an [IBO fiscal brief](#), in April 2021, then-Mayor Bill de Blasio allocated a large share of the \$7.0 billion in federal Covid education aid, which had to be spent by September 2024, to expand 3-K citywide. The initial plan for 3-K expansion using federal funds was in addition to existing City dollars of \$242 million annually from 2022 to 2024, bringing total City funding for 3-K to \$619 million (all years are fiscal years, unless otherwise noted). At that time, federal Covid funding was expected to grow to \$753 million in 2024, and then decrease to \$376 million in 2025 with City funding replacing that decline in Covid aid. For 2026, the City had planned for additional state or federal funding to maintain 3-K expansion. However,

Figure 3

**Between 2018-2019 and 2022-2023, 3-K Enrollment Grew, While Pre-K Roughly Returned to 2013-2014 Levels**

■ 3-K ■ Pre-K

Student Enrollment, in thousands



SOURCE: IBO analysis of Audited Register Data  
 NOTE: Enrollment includes students in traditional public schools, community-based organizations, and charter schools.  
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actual expenditures have remained lower than these initially budgeted amounts and later financial plans under Mayor Eric Adams have reduced the funding for expansion (for more on the initial plan for 3-K expansion, see IBO's [report](#)).

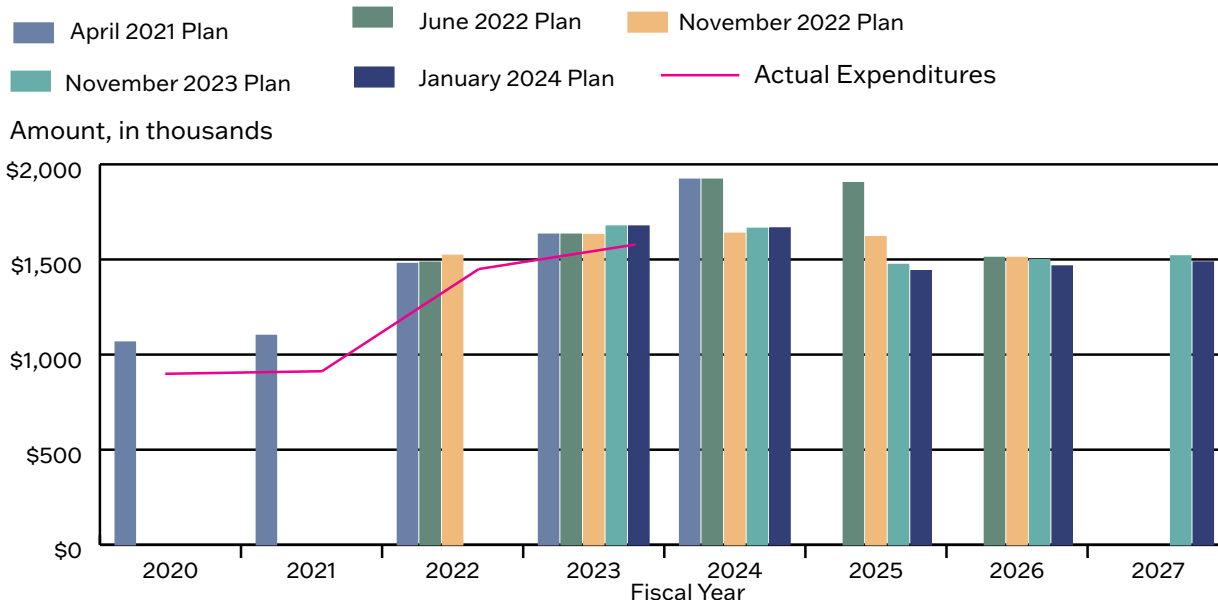
**Enrollment in Pre-K and 3-K.** Enrollment for pre-K has fluctuated since the 2013-2014 school year, while 3-K enrollment has largely increased since 2017-2018. Pre-K enrollment peaked at 72,600 students in the 2016-2017 school year. When the Covid-19 pandemic hit, students moved out of New York City and fewer new students enrolled (as noted in previous IBO reports [here](#) and [here](#)). There is no clear data on why enrollment is falling, but factors could include: [lower birth rates](#), children under five were not eligible for the Covid vaccine until June 2022, and some have noted the application process poses an obstacle for enrollment

Since the program began, 3-K enrollment has increased from the initial 800 students in school year 2017-2018 to almost 40,000 in school year 2022-2023. This increase included 3 year-olds who were previously served within ACS. The small dip in 3-K enrollment in the 2020-2021 school year may also reflect citywide birth rate trends, as well as responses to vaccine availability.

**Pre-K and 3-K Budget Changes Across Financial Plans.** At four points across the fiscal year, the Mayor's Office of Management and Budget (OMB) releases updates to the City's financial plan, which includes the City's budget for the current and subsequent four years. DOE budgets for pre-K and 3-K programs together in one unit of appropriation (see [Budget Building Blocks](#) for our unit of appropriation explainer).

Reductions to the initial plans for expansion for 3-K and to the general funding of pre-K and 3-K have occurred over the past year and a half. Beginning with the November 2022 financial plan, OMB reduced the 3-K budget, by \$283 million in both 2024 and again in 2025, as a part of the Program to Eliminate the Gap (PEG). In the November 2023 financial plan, OMB included another PEG reduction for early childhood that totaled \$120 million in each fiscal year, \$82 million of which was reduced from the pre-K and 3-K unit of appropriation in each year for 2025, 2026, and 2027 (see IBO's recent report for further details). The most recent financial plan, the Preliminary Budget, also included a PEG reduction to early childhood totaling \$50 million in each fiscal year, \$34 million of which was reduced from pre-K and 3-K unit of appropriation each year for 2025, 2026, 2027, and 2028. In conversations with IBO,

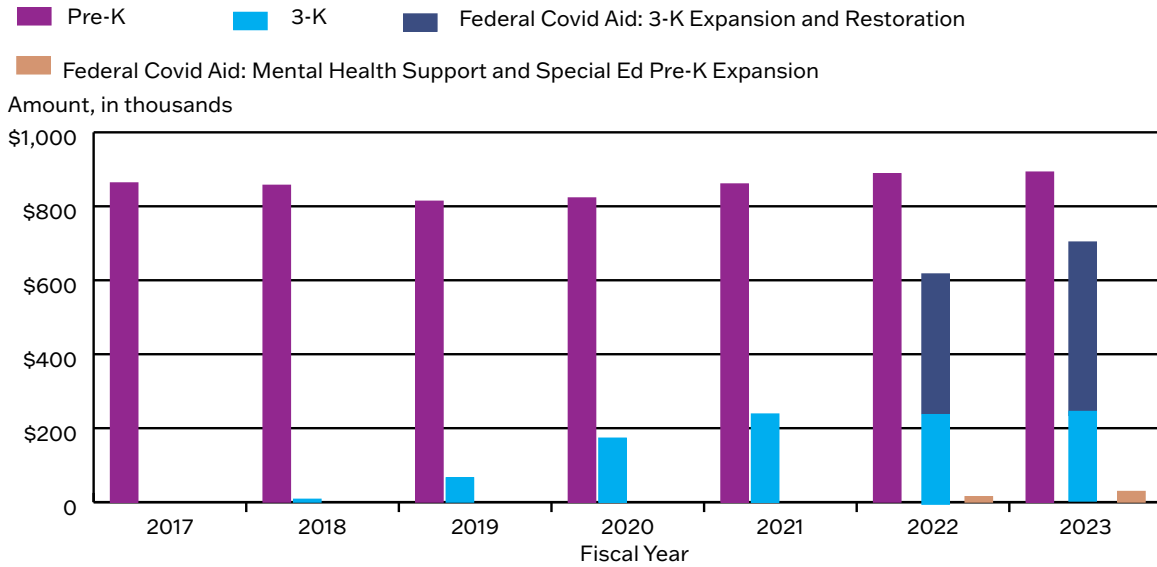
Figure 4  
**Across Financial Plans Since November 2022, the Combined 3-K and Pre-K Budgets for 2024 and 2025 Have Generally Decreased**



SOURCE: IBO analysis of Financial Management System  
NOTE: Actual expenditures represent spending at the end of each fiscal year and do not reflect the timing of payments for contracted providers.  
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Figure 5

**While the Pre-K Budget Remained Relatively Stable, The Addition of Federal Aid for 3-K Expansion More than Doubled the 3-K Program Budget**



SOURCE: IBO analysis of Financial Management System

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OMB has stated the plan to achieve these two most recent PEGs has not yet been finalized.

In total, reductions to the pre-K and 3-K budget have amounted to \$283 million in 2024, and \$399 million in 2025. The total budget for 2025 was reduced by \$23 million more than the initially planned \$376 million in federal Covid aid that year. While the initial plan for expansion included \$376 million in budgeted city funds, the November and Preliminary plan PEGs reduced that amount to \$260 million.

**Program Budgets by Fiscal Year.** Since 2017, the pre-K program budget has remained relatively stable, funded in part with State dollars. The 3-K program budget, on the other hand, has steadily increased, supported by time-limited federal Covid aid. When the City budgeted some of that federal aid towards pre-K and 3-K in 2022, \$378 million of those funds were dedicated to 3-K restorations and expansion and \$15 million to mental health support and special education support for early childhood. With the addition of federal Covid aid for 3-K expansion in 2022, the overall 3-K program grew by \$382 million (160%). As the expiration of federal funds draws near, the City has both increased City dollars and decreased overall planned spending.

**Pre-K and 3-K Funding Sources Over Time.** Between 2017 and 2023, the total budget within this unit of

appropriation nearly doubled, following the expansion of the 3-K program and the dedication of federal Covid aid. In 2019, state funding for pre-K decreased by \$170 million. That year, the City replaced the lost state revenue with City funds and added \$38 million. That same year, City contributions also increased to support the introduction of DOE’s 3-K program, which was not supported with any state aid. After the addition of federal Covid aid beginning in 2022, funding for the pre-K and 3-K 2023 budget was almost evenly split by the City, state, and federal governments. As the City must spend all federal Covid aid by September 2024, funding sources in subsequent years are once again expected to shift (see Figure 6 for more details).

**Subsidized Childcare Programs**

**Infant and Toddler Offerings.** While DOE’s birth to five options have the most opportunities for 3 and 4 year-olds, the City also offers additional services for younger children. These programs are available primarily for infants and toddlers through contracted care, and eligibility is generally income-restricted. These programs include Head Start, operated by the federal government, and programs formerly branded by New York City as Early Learn (see previous IBO reports [here](#) and [here](#) for more details). They were housed in ACS prior to 2019 and were transitioned to DOE in order to create a more

Figure 6

**By 2023, One Third of Funding for Pre-K and 3-K Drew From Time-Limited Covid Federal Aid**

Dollars in millions

Fiscal Year	Total	City		State		Federal	
		Dollars	Percentage	Dollars	Percentage	Dollars	Percentage
2017	\$863.3	\$111.9	13.0%	\$726.6	84.2%	\$24.9	2.9%
2018	\$864.8	113.3	13.1%	726.6	84.0%	24.9	2.9%
2019	\$877.6	321.5	36.6%	556.1	63.4%	0	0.0%
2020	\$995.8	425.5	42.7%	570.3	57.3%	0	0.0%
2021	\$1,051.7	475.4	45.2%	576.3	54.8%	0	0.0%
2022	\$1,479.5	510.5	34.5%	576.3	39.0%	392.7	26.5%
2023	\$1,632.8	558.7	34.2%	576.3	35.3%	497.8	30.5%

SOURCE: IBO analysis of Financial Management System Data

NOTE: Because pre-K and 3-K programs are budgeted together in one unit of appropriation, IBO displays the breakdown by funding source together.

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**Infant and Toddler Care**

Programs for children aged six weeks through two years old (and three-year olds prior to 2020) at low or no cost to families that rely on contracts with Community-Based Organizations (CBOs).



**Head Start and Early Head Start**

Program for children six weeks to five years, in addition to some services for parents and pregnant people. This is a federal program for low-income families.

Reductions to the subsidized childcare budgets have occurred over the past year across several financial plans. In the financial plan released in November 2023, the early childhood PEG of \$120 million included \$38 million for subsidized childcare programs. In the most recent financial plan, released in January 2024, the \$50 million PEG included \$16 million for subsidized childcare programs in each year for 2025 through 2028. As with the November and January PEGs to the pre-K and 3-K budget, it is unclear at this time where these reductions will occur (see Figure 7 for more details).

**Subsidized Childcare Funding Sources Over Time.** The funding sources for subsidized childcare programs vary widely by program. Infant and Toddler programs and the Universal Literacy Initiative, a program to support grade-level reading for students in grades kindergarten through 2nd grade, are primarily City funded, while Head Start programs are almost entirely federally funded. Federal funds to the City, as reflected in the April 2022 financial plan, decreased by \$61 million annually in fiscal years 2023 through 2026, potentially as a result of the federal government contracting directly with Head Start grant recipients (see Figure 8 for more details).

**Conclusion**

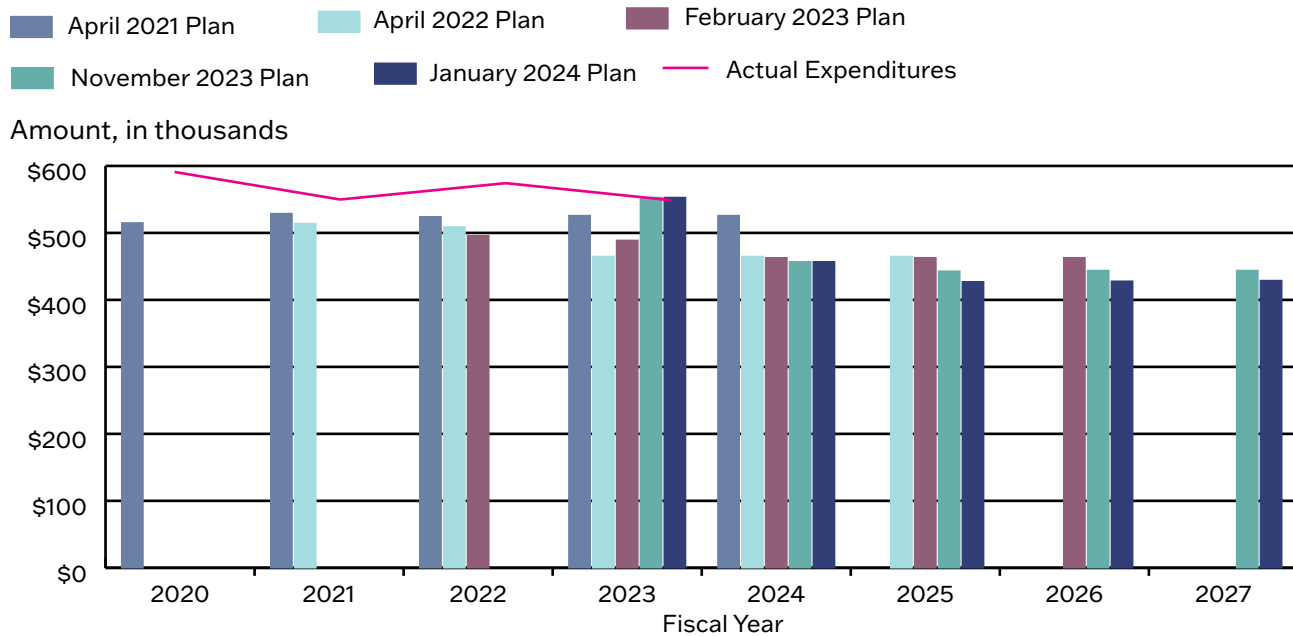
In this report, IBO traces the recent budget and funding source changes to early childhood programs, including pre-K, 3-K, and subsidized childcare programs. Movement between city agencies, and changes to City, state, and federal funding are among a few of the recent changes these programs have undergone. IBO will continue to track

unified system of educational services for children birth through five. Childcare vouchers continue under ACS. DOE budgets for subsidized infant and toddler childcare, including Early Learn and Head Start, in a separate unit of appropriation from pre-K and 3-K. Some pre-K and 3-K students that qualify for extended-day care may receive additional funding in this unit of appropriation.

**Subsidized Childcare Budget Changes Across Financial Plans.** The budget for subsidized childcare has decreased since its transition to DOE. Some of these reductions reflect a change in federal government procurement, following an increase in recent contracts awarded directly to grant recipients and a decrease in those to the New York City government.

Figure 7

**Subsidized Childcare Budget Changes Across Financial Plans**



SOURCE: IBO analysis of Financial Management System

NOTE: Actual expenditures represent spending at the end of each fiscal year and do not reflect the timing of payments for contracted providers. Budgeted amounts for DOE’s universal literacy initiative, a program to support students in kindergarten through 2nd grade to read on grade level by 3rd grade, are excluded from these figures. In November 2019, funding for this program transferred into the unit of appropriation for Early Learn, beginning in 2020. Since then, the DOE shifted the program’s budget so that it is now held within several budget categories, beyond the units of appropriation represented here.

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Figure 8

**City Sources Provide More Than Half of Funding for Subsidized Childcare Programs**

Dollars in millions

Fiscal Year	Total	City		State		Federal Community Development		Federal Other	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
2020	\$590.8	\$320.8	54.3%	\$10.4	1.8%	\$3.0	0.5%	\$256.6	43.4%
2021	\$591.7	321.7	54.4%	10.4	1.8%	3.0	0.5%	256.6	43.4%
2022	\$593.5	323.5	54.5%	10.4	1.8%	3.0	0.5%	256.6	43.2%
2023	\$535.8	326.7	61.0%	10.4	1.9%	3.0	0.6%	195.7	36.5%

SOURCE: IBO analysis of Financial Management System Data

NOTE: Amounts for DOE’s universal early literacy initiative are included in these figures as they are grouped together with subsidized childcare programs for the purposes of tracking sources of funds by DOE. Federal Community Development refers to the federally funded Community Development Block Grant

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funding as well as various other issues affecting these programs including how capacity aligns with families’ preferences for seats, issues relating to the procurement of and payment for services provided

by community-based organizations contracting with DOE, and tracking students as they progress through the early childhood system.