

*EarlyLearn NYC*Julia Gelatt and Heather Sandstrom
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Mayor Michael Bloomberg's emphasis on fighting poverty in New York City focused particularly on three populations: the working poor, young adults, and children from birth to age 5. As a part of the focus on young children, and in response to mounting evidence that investments in early childhood education are a cost-effective antipoverty measure, the New York City Administration for Children's Services (ACS) reorganized its system of contracted child care through an initiative called *EarlyLearn NYC*. The goal of the program was to maximize available funding streams for early childhood education while raising the quality of care and education provided. *EarlyLearn* also sought to improve the coverage of care across the city by shifting the supply of contracted slots to neighborhoods with the greatest economic need but fewest providers. Additionally, ACS aimed to increase the availability of child care for infants and toddlers.

The implementation of this program brought rapid change to the city's contracted child care system. *EarlyLearn* successfully braided funding from child care, Head Start, and the State's Universal Prekindergarten (UPK) program in order to provide improved access and continuity for low-income children and their families. High program standards have improved the quality of contracted providers. Moreover, the redistribution of contracts across the city has increased the supply of care in targeted, high-need neighborhoods. At present, *EarlyLearn* serves approximately 37,150 children.

This brief describes the context in which the *EarlyLearn* program was designed and implemented, and the timeline of the development and implementation of *EarlyLearn*. It also discusses the details of what this policy change has entailed. The brief concludes by detailing some of the successes of the program and ongoing challenges, highlighting potential paths forward under the new mayoral administration. This brief is based on interviews with current and past ACS staff members, *EarlyLearn* providers, early childhood advocates, and ACS reports and publicly available resources.

Context: Diverse Funding Streams, Providers, Reimbursement Rates, and Quality

The *EarlyLearn* system combines three types of early childhood education programs and four funding streams managed by ACS and the New York City Department of Education (DOE). First, ACS receives funding from the federal Child Care and Development Block Grant (CCDBG) to provide contracted center-based and home-based child care for eligible children in low-income working families. In addition to these contracted slots, ACS and the Human Resources Administration (HRA) provide vouchers that eligible families can use to purchase care from any approved child care provider, including relatives. Families on public assistance are guaranteed child care vouchers, while eligible low-income working parents not receiving public assistance may receive either a voucher, if funding is available, or a subsidized slot in the city's contracted child care system.

Second, ACS receives funding through a federal Head Start grant to provide high-quality early childhood services to children in poor families and low-income children with special needs and limited English proficiency. Third, the New York State UPK program, funded by state and local education dollars, provides resources through DOE to operate public prekindergarten classes for 4-year-olds in local public schools and

community-based child care centers. The UPK program lacks sufficient funding to provide truly universal access to all 4-year-olds in the city, so families that are eligible for free or reduced school lunch are given priority. Depending on available seats, other families not eligible for free or reduced lunch may also enroll their children, creating economically integrated settings. Finally, New York City tax levy dollars are used to support the early childhood education system.

Before *EarlyLearn*, ACS contracted with local providers to run CCDBG-funded child care and Head Start programs while DOE contracted with school districts and community-based organizations to provide UPK to a limited number of 4-year-olds. Both ACS and HRA issued child care vouchers to low-income families. These systems all had different enrollment processes, eligibility criteria, program hours, quality standards, and levels of family support services (Chaudry, Tarrant, and Asher 2005). Further, ACS staff was divided between managing child care and managing Head Start, with duplicate administrative processes in place.

In addition to being fragmented, the early childhood education system in New York had become outdated. The providers receiving city contracts had not participated in an open competition for those contracts in decades. The distribution of contracted early child care providers across the city generally mirrored the distribution of children in low-income families, but the share of eligible children served by contracted slots varied from less than 13 percent in 36 zip codes to over 48 percent in 18 zip codes (Chaudry et al. 2005). Because Head Start programs served 3- and 4-year-olds, and UPK served 4-year-olds, funding for early education was heavily skewed toward older preschoolers, leaving limited options for infants and toddlers. Additionally, before 2007, many 4-year-olds occupied slots in contracted child care instead of being enrolled in UPK; thus, policymakers were concerned about spending down all available UPK funding while freeing child care dollars for younger children.

While the Head Start program has federally-mandated program performance standards and strong technical assistance and oversight mechanisms, CCDBG has fewer federal regulations related to quality of care, and program rules are set by the state or locality (Chaudry et al. 2005). Before *EarlyLearn*, contracted providers were paid based on the capacity of their program—the number of eligible children they could serve—rather than the number of children actually enrolled. Payment rates varied widely among programs; some had contracts for bare minimum services, and others had contracts that included many program enhancements.

To update the geographic distribution of providers, ensure that the highest quality providers were awarded ACS contracts, and maximize the use of the various funding streams, the city developed the *EarlyLearn* system.

Policy Response

History: Development and Implementation of EarlyLearn NYC

The first step to implementing *EarlyLearn* was a review of the child care system and a strategic report outlining proposed changes to the city's contracted care system, published in 2005 (Chaudry et al. 2005). ACS then completed a community needs assessment to determine the level of need for early childhood education in each neighborhood and the availability of providers. After ongoing research, consultation, and consideration, ACS and DOE signed an interagency agreement in 2007 to allow providers operating child care and Head Start programs to receive UPK dollars through a streamlined application process. After meeting with child care advocates, ACS released a white paper on the full *EarlyLearn* program in February 2010 and a concept paper in April 2010. ACS also met with providers and advocates and conducted extensive calculations to determine a fair payment rate. Following standard procurement processes, a

comment period was opened on the concept paper and feedback from that process was incorporated into a request for proposals (RFP) issued in May 2011. Applicants submitted proposals in September 2011, the recommended contract awardees were announced in May 2012, and contracts began as of October 1, 2012.

Structure: What Changes Did EarlyLearn NYC Bring?

The changes resulting from *EarlyLearn* affect three main areas: financing and payment systems, the landscape of providers by type and neighborhood, and program quality and services. Although *EarlyLearn* created a large shift in the city's diverse delivery system, the program did not directly affect many child care and early education providers in the city, including privately operated, licensed providers that were not contracted by ACS; Head Start and Early Head Start providers that had direct grants from the federal government; and providers with UPK contracts directly from DOE. Additionally, low-income parents receiving child care vouchers are free to take those vouchers to any eligible provider they choose, many of which are outside the ACS contracted system. Still, services for the tens of thousands of children in *EarlyLearn* programs have been affected by the changes outlined below.

Financing and Payment Systems

The *EarlyLearn* RFP allowed organizations to propose to offer different types of programs mixing Head Start, UPK, and child care funds. Providers could apply to provide child care only in either a center- or home-based family child care setting (the latter limited to infants and toddlers ages 6 weeks to 3 years), Head Start only in a center-based system, or a blended Head Start and child care program. Any center that enrolled 4-year-olds would also receive UPK funding and would be held to UPK requirements. Center-based providers were expected to fill 50 percent of their slots with 4-year-olds eligible for UPK. Contracted family child care networks were required to serve at least 200 children and partner with a center-based provider to facilitate families' transition between the two settings.

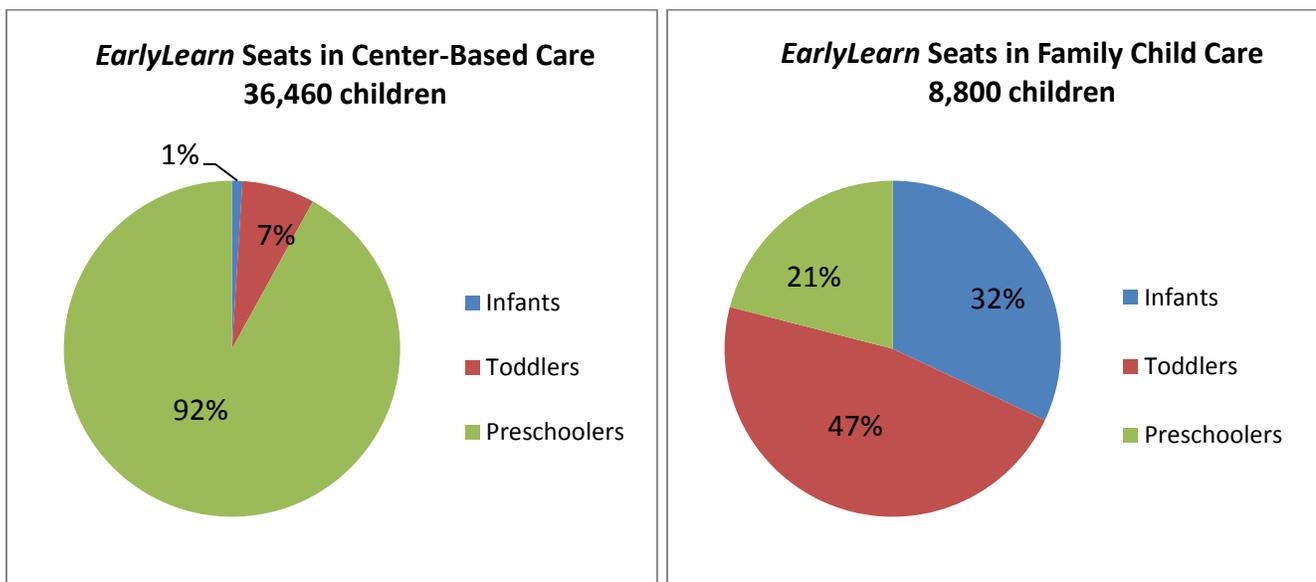
EarlyLearn has instituted significant changes in how services are financed. First, contracted providers had previously received compensation based on the number of children they had the capacity to serve. Payments were not adjusted when slots remained unfilled. Under *EarlyLearn*, providers are paid based on actual enrollment and child attendance, thus maximizing the use of resources. Second, *EarlyLearn* sets standardized rates based on child age, care type (whether child care, Head Start, or blended), and setting (whether home-based or center-based). In the past, each provider had an individually negotiated rate, leading to inequity across programs. Contracts designate the number of slots within a program that should be filled by children who are eligible for Head Start, child care, UPK, or some combination. ACS reports that assuming full enrollment, this rate is an increase for some providers and a decrease for others from what they had received before *EarlyLearn*. Third, under *EarlyLearn*, providers are expected to cover 6.7 percent of operating costs through private or in-kind donations, tuition from higher-income paying families, or other available resources—a model adopted from federal Head Start requirements, which city Head Start providers of all sizes had already been implementing. Finally, under *EarlyLearn*, the city no longer separately covers the costs of health insurance for staff of contracted providers or workers' compensation or liability insurance for providers. Instead, the city accounts for these costs in the standardized rates.

Landscape of Providers

One main goal of *EarlyLearn* was to better target resources to increase the supply of high-quality early childhood education in neighborhoods with the greatest need. ACS determined, through its community needs assessment, sets of high-, medium-, and low-targeted neighborhoods, defined by zip codes. When considering proposals, they first ranked applicants by neighborhood priority. To ensure an equitable

distribution of slots across the city, ACS set an overall capacity, a Head Start capacity, and an infant and toddler capacity target within each high- and medium-targeted and nontargeted zip code. ACS then awarded contracts based on a weighted system of experience, organizational capacity, and proposed approach. ACS also prioritized blended programs that proposed to serve child care-, Head Start-, and UPK-eligible children.

Ultimately, 154 awardees were chosen to provide services in 468 sites, with seats for 45,260 children (Richter and Lee 2012). Most ACS contractors applied to be *EarlyLearn* providers, while a few merged with other contracted providers to increase their capacity and attain economies of scale. Of the providers that had ACS contracts before *EarlyLearn*, 134 won *EarlyLearn* contracts, while 72 applied but were not recommended. In addition, 20 new providers won contracts. *EarlyLearn* brought even larger shifts in the contracted family child care networks. The number of family child care networks awarded contracts fell from 47 to 29, due to a focus on funding larger networks.



Source: Richter and Lee (2012).

Quality of Care and Education

EarlyLearn has established a number of program requirements intended to ensure that all children receive full-day, high-quality care (table 1). These requirements build on existing requirements for child care, UPK, and particularly Head Start, which has the most robust quality standards. *EarlyLearn* requires providers to select a developmentally appropriate, research-based curriculum and conduct child assessments to monitor progress. Following Head Start performance standards, all *EarlyLearn* providers are required to conduct a community needs assessment every three years and to build ties with community organizations to provide family support services. Providers must also develop a written plan for family and community engagement and family goal setting.

EarlyLearn also increased the professional development days available to staff to 12 for all center-based staff and six for family child care providers. Head Start had offered 12 professional development days for staff, but child care had offered only three days and UPK had required four days.

Given the care needs of full-time working parents and the importance of care continuity for children, *EarlyLearn* requires providers to offer year-round services for a minimum of eight hours daily, or 10 hours daily for programs receiving child care funding. Whereas UPK providers typically operate on a half-day or

school-day schedule, in the context of *EarlyLearn*, funding from Head Start or child care extends the length of the day to eight or 10 hours, respectively. As of fall 2013, *EarlyLearn* providers with available classroom space may also apply for separate UPK funding directly through DOE to provide a full-day UPK program.

Table 1. Quality Standards under *EarlyLearn NYC* and the Prior System of Early Care and Education

Scope of services	Before <i>EarlyLearn NYC</i>				<i>EarlyLearn NYC</i>
	Contracted family child care network homes	Contracted child care centers	Head Start	Universal Prekindergarten program	
Developmentally appropriate and valid curriculum	N	Y	Y	Y	Y
Formal child screening	N	N	Y	Y	Within 45 calendar days
Formal child assessments	N	N	Y	Y	Y
Staff professional development	3 days	3 days	12 days	4 days	6 days: FCC 12: EL Center
Family/child supports	N	N	Y	Y	Y
Program assessment	Program assessment instrument	Program assessment instrument	Federal monitoring review and ongoing monitoring	ECERS-R and CLASS	QUALITYstarsNY quality rating and improvement system
Service requirements for children with special needs	N	N	At least 10% of children served must have special needs	Y	Must serve children with special needs
Daily hours of service	10	10	3.5–10	2.5–6.3	8–10
Duration	12 months	12 months	11–12 months	10 months	12 months
Economically integrated settings	N	A limited number of centers accept private-pay children	10% of children served exceed the income requirements	Y	Y

Source: Richter and Lee (2012).

Strengths and Challenges

EarlyLearn has brought sweeping changes to the contracted child care system in New York. As might be expected, the program has produced both benefits and some challenges.

Program Goals and Quality Improvements

The goals and quality improvements under *EarlyLearn NYC*, such as the emphasis on early learning and not just child care, have been widely embraced by providers, advocates, and ACS alike. Providers have described being prepared to make the quality improvements and embraced the availability to do so. Providers also appreciate the availability of more professional development time. They agree that the braiding of funding streams behind the scenes—to maximize the use of dollars and to simplify processes for families—was a great initiative.

Allocation of Contracts

While providers feel the application process for *EarlyLearn* is no harder than any other city RFP process, some providers and other community stakeholders have expressed concern about the set of providers recommended for contracts. ACS weighed a number of goals in scoring applications in order to achieve the desired distribution of child care, Head Start, and infant and toddler care slots across higher-need zip codes. The selection process was reportedly intensive, and program location contributed substantially to final decisions. As a result, some providers with long-standing, respected presences in their communities lost contracts, while organizations new to a community won contracts. Although ACS did not consider program size during the review process, larger providers with greater administrative capacity and available matching funds generally had an advantage over smaller programs, according to local advocates. The difference in perceived quality between those selected and those not was very slim. The closure of long-standing programs was particularly common in neighborhoods that had experienced gentrification and had a lower need for subsidized child care than in the past. The New York City Council ultimately provided funding to keep some long-standing providers that did not win *EarlyLearn* contracts in operation, but this funding is allocated only one year at a time, creating uncertainty. Some feel the targeting of high-need areas was successful, while some advocates continue to worry about whether *EarlyLearn* will provide enough affordable early childhood education in neighborhoods with higher average incomes but pockets of poverty.

Transition

One implementation challenge was that *EarlyLearn* brought several systematic changes all at once. Although the model of blending Head Start, UPK, and child care funding streams had been attempted before *EarlyLearn*, some stakeholders feel that the full *EarlyLearn* model and payment system should have been piloted before being implemented at full scale. Some newer or smaller *EarlyLearn* providers did not have the administrative capacity to effectively manage operations when their funding began. On the other hand, providers appreciate the information and training ACS provided to explain how *EarlyLearn* would function. Further, the federal Head Start program was recompeting its contracts at the same time that ACS was considering *EarlyLearn* proposals, so some providers were waiting to hear about both *EarlyLearn* and Head Start contracts. Larger programs had the capacity to manage all these transitions at once, while those with lower resources struggled. Complicating the implementation was the system's reliance on outdated data systems. Information on current enrollment is still not reliably transferred from providers to ACS, thus complicating planning for funding purposes.

Program Financing

From the perspective of administrators, one of the greatest concerns about *EarlyLearn* relates to program financing stability, which threatens the sustainability of the program at its current size. The biggest threat to funding comes from the mandated provision of child care vouchers to families on public assistance. These families are connected to child care through HRA-run job assistance centers, which focus on access to employment. HRA staff have a great incentive to connect parents to child care quickly, rather than to help parents find the highest quality of care, because the latter might require more time and effort to access. An estimated 97.5 percent of public assistance recipients receiving child care vouchers use them to purchase care outside the city's contracted system. As more families take their vouchers outside the contracted system, less CCDBG funding is available for *EarlyLearn*. Additionally, the city is required to contribute 25 cents on the dollar for child care subsidies for parents on public assistance. So, as the pool of families receiving public assistance rises, and the cost of their care rises due to the type of care they choose, less city tax levy funding is available for *EarlyLearn*.

EarlyLearn contracts were issued based on certain assumptions of how much money would be needed for child care vouchers over the four-year contract period, but those assumptions are proving to be too low. As a result, the CCBDG budget is strained, creating pressure to either cut *EarlyLearn* seats, a strategy that faces strong political opposition, or to further restrict eligibility for child care subsidies to only those families with the most severe economic need. To address this concern, ACS is beginning to examine why voucher recipients select particular forms of care and to encourage *EarlyLearn* programs to advertise, as it is unclear whether parents are aware of all their options.

Adding to the funding strains, 17 *EarlyLearn* providers received independent Head Start grants through the recent Head Start recompetition process—of which seven stayed in the *EarlyLearn* system receiving only child care funding and 10 left the *EarlyLearn* system entirely to provide Head Start services as an individual grantee. In addition, the federal budget sequestration cut ACS’s Head Start contract by \$6.7 million. Overall, *EarlyLearn* lost \$71.5 million in Head Start funding. Due in part to the short window of time between the departure of the 10 Head Start contractors in July and the State education department’s October 2 UPK enrollment deadline, *EarlyLearn* has not attracted as many 4-year-olds as expected. Consequently, ACS has been drawing down less state UPK funding than anticipated to support *EarlyLearn* contracts.

Through *EarlyLearn*, ACS has sought to provide higher-quality care, more infant and toddler care, and more full-time care slots in centers, all of which contribute to higher program costs than under previous contracts. Before *EarlyLearn*, the ACS contracts created slots for approximately 48,500 children; under *EarlyLearn*, the initial capacity was 43,500 seats and current capacity is 37,150 seats. It is unclear whether *EarlyLearn* can expand its capacity while maintaining the quality level it seeks, unless the child care voucher system is further restricted, more families receiving vouchers use them within the *EarlyLearn* system, or the city allocates separate budgets for the voucher and *EarlyLearn* systems.

Payment System and Enrollment Problems

Providers and advocates praise the concept of braiding the different funding streams in a way that is simpler for both providers and families. But there are a number of ongoing logistical challenges related to the funding and payment system under *EarlyLearn*. First, ACS created standardized rates to improve equity across providers and based the rates on exhaustive calculations and input from stakeholders; however, critics say that the daily rate that providers receive for serving each child is too low, particularly given the quality improvements expected of them, and that this rate must also cover insurance and leases. Second, some smaller providers say that the required 6.7 percent provider contribution is challenging to meet, while larger, better-funded organizations have had fewer issues raising funds. New York City Head Start providers both large and small had already been meeting a required cost-sharing requirement, so this requirement is not out of line with past expectations for early childhood education providers.

Third, the decision to no longer include staff of contracted providers in the city’s Central Insurance Program, available to certain city contractors, created additional costs for providers and their staff. The Day Care Council and the Head Start Sponsoring Board Council have developed replacement health insurance plans for providers. Under these plans, employers are responsible for 80 percent of the cost of the insurance premium, the union welfare fund pays for 5 percent, and employees are responsible for 15 percent (Richter and Lee 2012). Some stakeholders report that the employee contribution is higher than what employees feel they can afford, so many have opted to forgo health insurance supplied by the provider/employer. Advocates are uncertain whether providers can afford the employer contribution, at current rates, if all their employees take up health insurance. *EarlyLearn* supporters counter that

contractors with the Department for the Aging and the Department of Youth and Community Development already transitioned off the Central Insurance Program a few years ago.

Fourth, some programs report satisfaction with the integrated funding system, reporting that it is easier for providers and families, while others report that since each funding stream comes with separate requirements and with separate oversight processes, they are spending disproportionate time on monitoring and reporting requirements.

Finally, in this second year of *EarlyLearn*'s implementation, some providers are still struggling to fill the seats they were contracted to provide. Because many costs are fixed, but payment is based on enrollment, some programs are facing financial strain, while larger, better-resourced providers are drawing on private donations or other internal funding to support operations as they build enrollment. Providers note that ACS has created public campaign materials for them to use and describe substantial outreach efforts. Yet, many still struggle to meet enrollment targets for several reasons. Programs providing blended Head Start and child care were contracted to serve a set number of child care–eligible children, a set number of Head Start–eligible children, and a set number of dually eligible children. Some providers have found that this formula aligns poorly with the characteristics of families in their service area. Center-based programs are also required to aim for 50 percent enrollment by 4-year-olds in order to bring UPK dollars into the system, but some struggle to recruit enough 4-year-olds, while 3-year-olds are placed on waiting lists. Providers report that some parents in search of child care cannot meet the work requirement to qualify for child care subsidies while others do qualify but struggle to provide the six weeks' worth of pay stubs required to enroll. Some providers are interested in having a presence at HRA employment centers to advertise their program to parents receiving child care vouchers, but they report that ACS was unable to secure permission from HRA for such recruiting efforts.

Looking Ahead

The improvements implemented under *EarlyLearn* have been widely embraced. However, ACS and the early childhood education community in New York City understand the difficult tradeoff between quality and quantity of available child care. To ensure the program's sustainability at its current size, some program modifications may be necessary.

Most important, New York City appears incapable of sustaining the current level of child care vouchers issued and the current size and quality of the *EarlyLearn* system, unless structural changes are made or a much higher percentage of voucher recipients use their vouchers within the *EarlyLearn* system. Cutting funding to either the voucher or *EarlyLearn* system would create opposition and further systematic problems, but such cuts may be inevitable unless the city can identify new funding sources. ACS is tackling this issue on two fronts: by advocating at the state level for increased funding for child care, and by working to attract parents with vouchers to the *EarlyLearn* system. ACS has conducted focus groups and is developing a parent survey to find out how parents learn about child care programs. ACS is now working on branding *EarlyLearn* and advertising it throughout the city to encourage families with vouchers to use the system. There is a sense from all sides that much more parental education is needed so families know the benefits of early childhood education, even for infants and toddlers.

While the city works on addressing enrollment issues at a macro level, some local providers are clearly struggling to reach full enrollment. Providers may need further assistance to continue building their outreach and enrollment efforts. In particular, providers desire a mechanism for advertising their high-quality programs to local families receiving child care subsidies and for simplifying the application and

enrollment process for these families. Other providers argue for greater flexibility in allocating types of seats (child care, Head Start, and UPK) across different program locations, to meet community needs. For example, one provider with multiple locations has more Head Start–eligible children than child care–eligible children in the site where he has a child care contract, and more child care–eligible children in the site where he has a Head Start contract; he wishes he could move the funded seats from one site to the other.

Finally, providers call for ACS to thoroughly assess the program design and funding levels to inform mid-course adjustments. Many call for ACS to examine whether programs are able to meet program requirements and fund employees’ health insurance at current rates, in order to determine whether rate adjustments are needed. Some further call for flexibility in funding rates for organizations of different sizes, in recognition of different administrative costs. In addition, advocates and providers feel that it is time to thoroughly review contracted providers’ administrative capacity and program quality, with follow-up technical assistance provided to programs that need help managing their *EarlyLearn* programs or meeting the high quality standards of the *EarlyLearn* system. All parties involved maintain hope that with some program adjustments and time, *EarlyLearn* will fulfill its promise of improving the quality and equity of the early childhood education system in the city.

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