



## Repairing New York City's Early Childhood Education Contracting System

### Introduction

Families, advocates, and policymakers have a shared interest in a universal system of early childhood education and care that starts from birth. Recent research has shown that the affordability crisis, particularly around housing and the cost of raising a family, is increasingly driving families with young children out of New York City.<sup>1</sup>

New York City's publicly contracted early childhood education (ECE) system served more than 113,000 children under the age of five during the 2023-24 school year.<sup>2</sup> Settlement houses and other community-based organizations (CBOs) contract with the NYC Department of Education (DOE)<sup>3</sup> to offer programs that educate and care for the majority of the City's children under the age of five, including 59 percent of the City's three- and four-year-old children enrolled in public 3-K and Pre-K.<sup>4</sup> United Neighborhood Houses (UNH) settlement house members contract with the DOE to offer early childhood education in New York City, serving nearly 2,300 children under the age of five through center-based programs at 81 sites.<sup>5</sup>

While New York City has made historic investments, more than tripling enrollment in publicly contracted ECE programs between 2012 and 2024,<sup>6</sup> it has not adequately expanded its infrastructure. The City cannot build a universal system that meets families' child care needs without resolving infrastructure and payment challenges facing child care providers. It must ensure that settlement houses and other CBOs—who play an essential role in the City's ECE system—are fully and promptly paid for delivering these necessary services. Contracting delays and payment backlogs weaken the City's ECE system and the overall financial health and stability of settlement houses and other CBOs. In the absence of payment from the City, settlement house ECE providers have delayed filling staff vacancies, delayed payments to their vendors, or have taken on lines of credit in order to make payroll and keep their classrooms open for families.

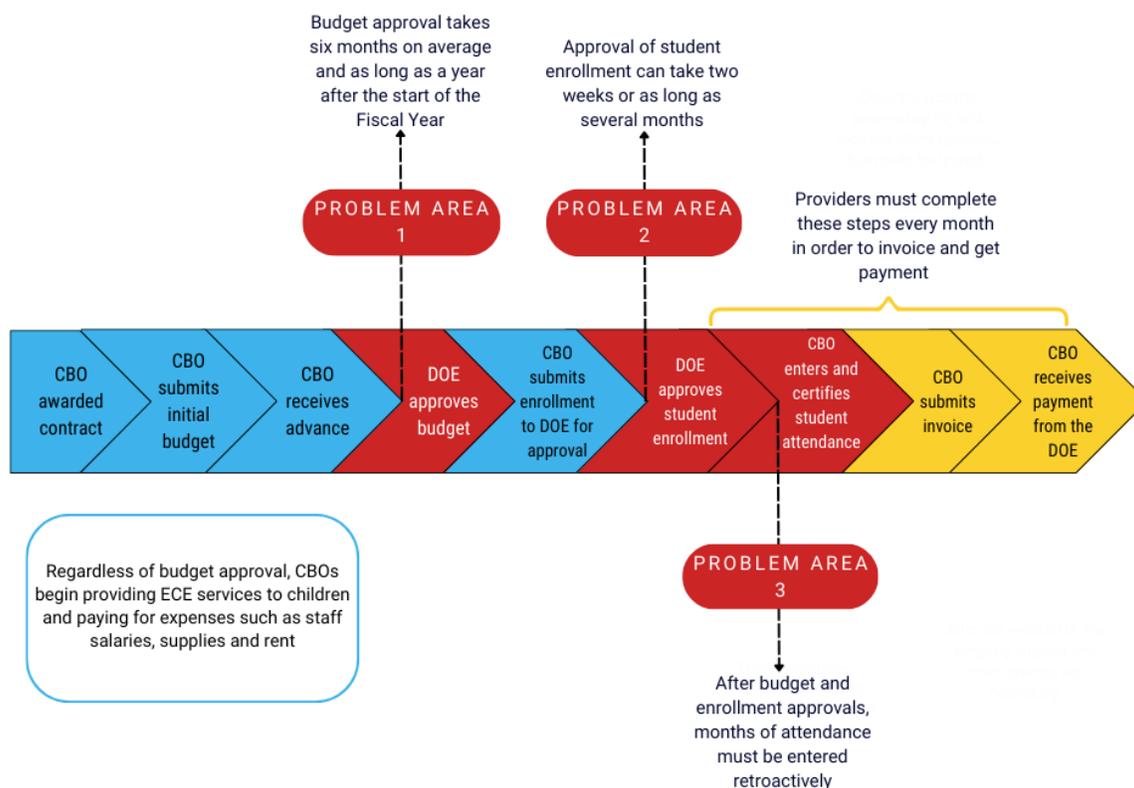
UNH surveyed 14 settlement house ECE providers, and conducted in-depth interviews with five of them drawing on their expertise to understand the bottlenecks and challenges they face. Below are highlights of the issues with contract management and payment for ECE services, and proposed solutions to repair this complex and broken system.

## About this Report

This report covers contracting and reimbursement issues facing center-based early childhood education programs, one part of a much larger system of publicly supported care and education for New York City children and youth. This report excludes discussion of family-based child care programs given that their reimbursement process is coordinated between the Family Child Care Network administrator and the DOE, and differs from the process for center-based programs. Furthermore, a family's need for child care can extend from birth to age 13 (and beyond for children with additional needs), and typically includes afterschool care and summer programming. Ultimately, New York City needs a universal system that meets the full continuum of care that families need.

## Overview of the Contract Reimbursement Process

Settlement houses and other CBOs who contract with the DOE to provide ECE services must request monthly reimbursement. They begin the fiscal year with an advance payment on their DOE child care contracts, although these "advances" are not always received before the start of the contract period. Regardless of whether they received payment, programs are required to retain appropriate staffing at the start of the school year to educate and care for the children in their programs, all while accruing expenses.



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The flow chart above outlines the steps that settlement houses and other CBOs must take to receive payment from the DOE. The DOE requires settlement houses and other CBO ECE providers to use the PreKIDs system (also known as Vendor Portal) for contract management. UNH identified three key steps of this process with the most challenges and delays: budget approval, enrollment approval, and entering the child's attendance (highlighted in red).

### **Problem area 1: Delays in budget approval**

Budget approvals are often the most time-consuming and frustrating part of the reimbursement process. CBOs often encounter issues providing required documents and communicating with DOE staff about changes to their budgets. In some cases, settlement houses reported that it can take nearly the entire contract year before their budget is approved and therefore they cannot move forward with completing the reimbursement process.

All 14 settlement houses who responded to the UNH survey reported that their FY25 budgets were approved well into the fiscal year.<sup>7</sup> Only eight reported having approved FY25 budgets six months after the start of the fiscal year (by December 2024); the remainder had budgets approved in January 2025 or later. Some reported that they were waiting for FY25 budgets to be approved after the start of the next fiscal year (as of July 2025). Despite not being paid each month for their services, these organizations were serving children and paying staff salaries the entire time, putting their organizations at financial risk, rather than closing their programs for the families they serve.

#### *Providers lack clear guidance from DOE staff*

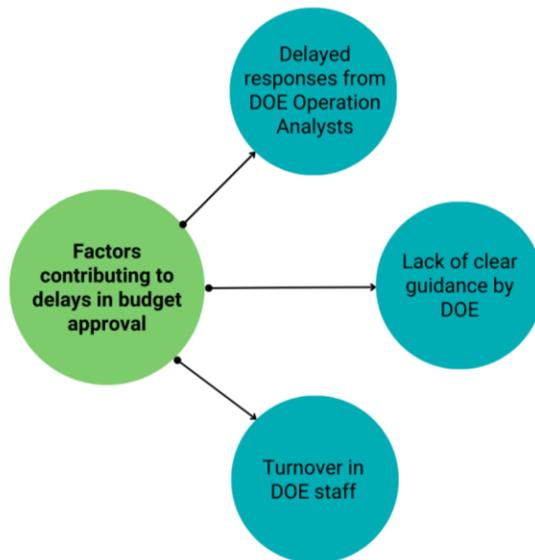
CBOs endure a slow and painful process to have their budget approved by the DOE, including lengthy back-and-forth communication with DOE staff about corrections and required documentation. Settlement houses noted that they would send budget corrections to their Operations Analyst (OA) at the DOE, receive budget rejections and resubmit budgets, for months on end, with initial requests for new information once the year is already underway.

Settlement house staff shared that they often do not receive advance notice of new requirements to get budgets approved, such as providing documentation of staffing patterns and schedules. As a result, providers face additional steps and extra work, creating delays and uncertainty even when their budgets are similar from year to year. A checklist of forms and documentation is available on a dedicated DOE site for ECE providers, but UNH found that many providers are not aware of this resource and it is unclear whether the list is kept up to date.

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### *DOE staffing shortages exacerbate delays in budget approvals*

The turnover in DOE staff and the lack of a consistent contact person make it more challenging to resolve contracting and reimbursement issues. This occurs due to the staffing shortages at the DOE's Division of Early Childhood Education (DECE) and across many other City agencies.<sup>8</sup>



### **Problem area 2: Delays in DOE approval of student enrollment**

The student enrollment process is complex and tedious. It can take months of enrollment corrections before the DOE finally approves student enrollment on the Vendor Portal, the contract management system that CBO ECE providers are required to use. Vendor Portal differs from PASSPort (the Procurement and Sourcing Solutions Portal), the system used by the rest of the city's human services contracting system. Settlement houses have reported numerous glitches in Vendor Portal, which contribute to additional delays in DOE approval of student enrollment.

Providers must wait for their full student roster to be approved before they are able to submit attendance records and then begin invoicing to receive payment. Aside from a contract advance at the beginning of the contract term, a provider cannot receive payment from the DOE until their roster is approved. Enrollment is also critical to the reimbursement process because the DOE pays providers based on their monthly enrollment numbers.<sup>9</sup>

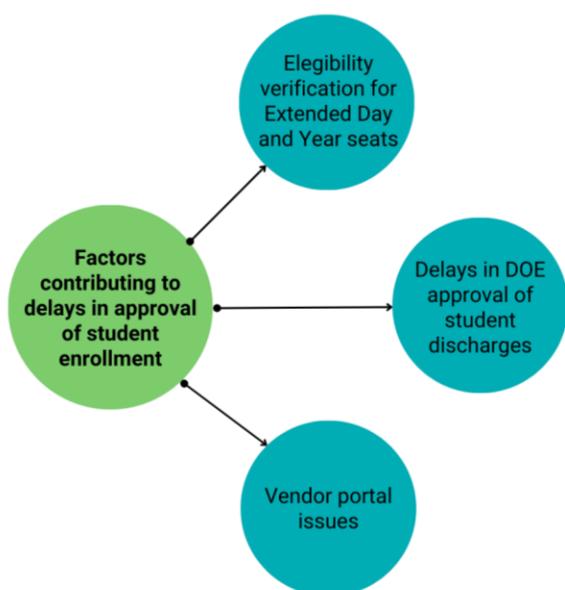
### *Approval of Extended Day and Year seats contribute to delays in enrollment approvals*

Extended Day and Year (EDY) seats provide care for 8-10 hours a day and additional days during the summer. This care is offered only to income-eligible families. Families struggle with the

income eligibility verification process, which requires them to submit many documents to verify economic status. Despite New Yorkers' significant need for child care, many EDY programs are underenrolled,<sup>10</sup> likely because of these burdensome requirements for documentation.

#### *Delays in DOE approvals of student discharges worsen delays in enrollment approvals*

To enter enrollment information for a new student, CBOs must first receive DOE approval for the discharge of a former student who is no longer attending their program, which can take up to a month for an approval. Delays in approving student discharges force CBOs either to hold off on submitting invoices until rosters are updated or to accept reimbursement for fewer children than they actually served.



### **Problem area 3: Entering attendance after budget and enrollment approvals creates additional delays in invoicing**

After receiving DOE approval of their budget and enrollment, CBOs can begin submitting monthly attendance records, which must be done before invoicing. All center-based Birth to Five programs are required to report monthly attendance in PreKIDS/Vendor Portal.<sup>11</sup> However, program staff wait months until their budget and enrollment data are approved to officially report on that attendance. Once CBOs receive DOE approval for their budgets and student enrollment, they must retroactively enter months of attendance so that they can begin invoicing. CBOs now have to take months of attendance records—either as paper copies or from other electronic systems—and manually enter them in Vendor Portal.

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Once CBOs certify and submit their attendance, they have completed the last required step before invoice submission. In contrast to the often months of delays in approval of budgets and student enrollment by the DOE, the majority of providers surveyed by UNH noted that they received payment within a month or less of submitting their invoice. While CBOs have successfully received payment from the DOE after invoice submission, the issue is that many struggle for months to clear other barriers before reaching the invoicing step of the process and some are reimbursed nearly a year after their programs have started.

## Recommendations

UNH is committed to a vision of universal child care. Now we must set up a system that works for the City's families and providers, ensuring that the foundation of that system is stable and secure. UNH recommends that the DOE's Division of Early Childhood Education take the following short-term actions to repair its broken ECE contracting and reimbursement process:

**1. DOE should hire and train more staff to support CBO ECE providers.**

First and foremost, the City must ensure that the DOE's Division of Early Childhood Education is staffed properly to get funds to CBOs quickly and correctly. The majority of settlement houses surveyed or interviewed by UNH noted that they did not receive the timely support and guidance they needed from DOE staff. The DOE must recruit and retain more staff, including Operation Analysts and enrollment specialists, and ensure that they are properly trained to clearly and consistently address questions and concerns about budget approvals and student enrollment.

**2. Prior to the start of each Fiscal Year, the DOE should ensure that CBOs operating ECE programs have sufficient training, an updated fiscal manual and other resources to navigate the complexities of the contracting and reimbursement process.**

CBOs need more support navigating the complexities of the reimbursement process, and they would benefit from additional training, guidance and updated resources. The NYC Department of Youth and Community Development (DYCD) and the Mayor's Office of Contract Services (MOCS) offer annual refresher trainings on their contracting and reimbursement process and it would be benefit CBOs to attend similar trainings hosted by the DOE's Division of Early Childhood Education. CBOs also need an updated fiscal manual at the beginning of each contract year. For example, DYCD updates and shares its fiscal manual annually. In addition, the DOE should provide a clear, updated checklist of forms and required documentation necessary for budget approval on Vendor Portal, and share this widely with CBOs ahead of each new Fiscal Year.

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### **3. DOE should work to adopt MOCS policies that standardize and strengthen the human services contracting and procurement system.**

Settlement houses who contract with the DOE to provide ECE services are already accustomed to working under the human services contracting and procurement system managed by MOCS. However, MOCS currently has very limited oversight over the procurement and reimbursement process for DOE-funded ECE services. The DOE should work to implement MOCS policies to standardize and improve the human services procurement system, such as transitioning to PASSPort (the Procurement and Sourcing Solutions Portal), the citywide contracting system managed by MOCS that is also used for Family Child Care Network contracts.

### **Conclusion**

CBOs are essential to the success of Universal Pre-K and 3-K. There is no reason they should wait, sometimes nearly a full year, before receiving payment for their services. The DOE must improve their internal operations as delays in reimbursement jeopardize the stability of CBO-run ECE programs. CBO-run programs are responsible for educating and caring for a majority of our City's children under the age of five. Repairing the contracting and reimbursement system for center-based CBO ECE providers must be a priority for the City as it continues to care for more children. Furthermore, it has been more than five years since the City's last procurement for ECE programs—this means that the City's child care programs are operating under a pre-pandemic program framework that needs to be reprocured.

In addition to contracting and payment delays, the City's CBO-contracted ECE system is facing other systemic and operational issues that aren't addressed in this report but should also be top of mind for the next mayoral administration. These issues include:

- the lack of salary parity for ECE CBO staff with equivalent positions in DOE public schools
- the contracting challenges with Family Child Care Networks,
- the lengthy timeline for licenses to create new early childhood education programs, and
- insufficient physical child care infrastructure in certain neighborhoods across the City.

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*UNH is a policy and social change organization representing neighborhood settlement houses that reach more than 840,000 New Yorkers from all walks of life. We mobilize our members and their communities to advocate for good public policies and promote strong organizations and practices that keep neighborhoods resilient and thriving for all New Yorkers. UNH leads advocacy and partners with our members on a broad range of issues including civic and community engagement, neighborhood affordability, healthy aging, early childhood education, adult literacy, and youth development.*

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<sup>1</sup> Perry, Andrew and Emily Eisner. Fiscal Policy Institute. September 2024. "Who is Leaving New York State?" <https://fiscalpolicy.org/wp-content/uploads/2024/06/FPI-Migration-Pt-2.pdf>

<sup>2</sup> Citizens' Committee for Children, "The Foundation for Universal Access." October 2024. <https://s3.amazonaws.com/media.cccnewyork.org/2024/10/CCC-Brief-The-Foundation-for-Universal-Access.pdf>

<sup>3</sup> The DOE also runs 3-K and Pre-K in district schools and standalone pre-K centers

<sup>4</sup> These numbers are for the 2023-2024 school year. Sourced from the Independent Budget Office. <https://www.ibo.nyc.gov/assets/ibo/downloads/pdf/education/2025/2025-may-utilization-up-capacity-down-a-look-at-3k-and-prek-trends-in-nyc.pdf>

<sup>5</sup> When accounting for all early childhood education programs (Birth to Five DOE contracts, Head Start, family child care and fee-based programs, UNH members serve 8,271 children under the age of five.

<sup>6</sup> This number also includes infants and toddlers enrolled in subsidized child care programs. Sourced from: Citizens' Committee for Children, "The Foundation for Universal Access." October 2024. <https://s3.amazonaws.com/media.cccnewyork.org/2024/10/CCC-Brief-The-Foundation-for-Universal-Access.pdf>

<sup>7</sup> The City's Fiscal year begins on July 1st and ends on June 30th of the following year.

<sup>8</sup> The DOE has acknowledged that understaffing is a serious issue—the DOE has a target goal of having each OA oversee 30 contracts, but each OA is currently overseeing double that number. <https://citymeetings.nyc/meetings/new-york-city-council/2025-02-20-1000-am-committee-on-education/chapter/does-new-policies-and-processes-to-address-payment-issues-for-providers/>

<sup>9</sup> Payments for CBOs are based on monthly enrollment as a percentage of the total seats each classroom is allotted, calculated on the third Wednesday of the month. Providers are guaranteed 75 percent of their contracted amount regardless of unexpected drops in actual enrollment.

<sup>10</sup> A recent IBO report found that only 60 percent of 3-K EDY seats and 50 percent of Pre-K EDY seats were utilized during the 2023-24 school year.

<sup>11</sup> Entering attendance helps providers meet their Department of Health and Mental Hygiene (DOHMH) permit requirements. See: DOE DECE training presentation: <https://sites.google.com/view/nycdece-programops/vendor-resources/invoices?authuser=0>