

Slots for Tots



New York City's Failure to Manage Daycare Enrollment

City of New York
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Introduction

High-quality childcare is essential to supporting the economic self-sufficiency of parents, enhancing the productivity of businesses and organizations, and promoting the healthy development of children. Dependable, affordable care helps low-income parents to gain and maintain financial independence by facilitating their transition from welfare to work and supporting their employment. Moreover, numerous studies have shown that children who are enrolled in high-quality daycare programs are better prepared to enter and succeed in school. However, the cost of such care is beyond the reach of many New York City families. While government assistance in meeting this cost is available, the need for assistance far outstrips the supply. Currently, the families of more than 46,000 eligible children are awaiting childcare assistance, although no substantial increase in childcare funding is expected in the next few years.¹ In these difficult financial times, the City must work to maximize every childcare dollar that is available.

In response to the City's budget difficulties and to anecdotal reports that many fully-funded centers are routinely underenrolled, the Comptroller directed staff in his Office of Policy Management to examine the extent to which childcare funds are paying for vacant childcare slots in which no child is enrolled. Through analysis of data from the Agency for Child Development (ACD), we found that there is indeed a serious problem with underenrollment. When we began to explore possible factors that may contribute to the problem, we found a complex web of issues that requires further exploration and action by ACD.

Subsidized Childcare in New York City

Publicly subsidized childcare in New York City is administered by the Human Resources Administration (HRA) and ACD, which is part of the Administration for Children's Services. HRA manages childcare funds for the 40,000 children whose parents are receiving or transitioning off public assistance and who are therefore entitled to subsidized childcare. ACD administers childcare assistance for another 57,500 children of low-income parents who are not receiving public assistance.² This childcare may be delivered in one of three settings. Informal care takes place in a provider's home and is not registered, certified or inspected by the City. Family daycare also takes place in a provider's home but is licensed, registered and subject to inspection and monitoring by ACD and the New York City Department of Health. Center-based care utilizes certified teachers to provide developmentally appropriate interactional and basic education activities in a Department of Health licensed daycare facility.

The City fully funds 344 daycare centers that are operated by sponsors who have contracts with ACD to provide care exclusively to publicly-subsidized low-income children. While a small number of the children in these centers are receiving public assistance and are paid for through HRA, approximately 32,000 ACD children receive care through these centers.³ City contracts provide a budget to the center based on the

¹ This figure represents ACD's waiting list for all childcare settings.

² Administration for Children's Services. *Child Care Enrollment Report*, October 2002.

³ Administration for Children's Services. *Child Care Enrollment Report*, October 2002.

number of children the center has the capacity to serve. It is important to note that, unlike other types of care, fully-funded centers are paid based on their capacity and not on the number of children actually enrolled or in attendance. They are currently paid their full contract amount.

Families are financially eligible for ACD-subsidized childcare when they fall below certain income thresholds. For example, a family of three must not have a gross income of more than \$38,304 per year to be eligible for assistance.⁴ Since many families meet the eligibility guidelines, waiting lists for ACD childcare assistance are long. Currently, more than 28,000 low-income children whose parents have been found eligible for childcare assistance through ACD are awaiting care, along with another 18,800 potentially eligible children whose applications are pending.⁵ Taken together, there are roughly 46,800 children on ACD's waiting list for childcare. However, the need for childcare assistance likely transcends this number since many parents in need of and eligible for assistance are deterred from applying by the size of the waiting list. Some estimates of the number of children in low-income working families who are eligible for but not receiving assistance in New York City are as high as 100,000.⁶

In view of fiscal difficulties faced by the City, it is not likely that there will be any significant increase in childcare funds in the near future. With the exception of 2,500 new slots in development since 1999, ACD officials have stated that there will be no further expansion of the subsidized childcare system until at least 2006.⁷

A. Findings

The purpose of this study was to evaluate the scope and prevalence of underenrollment in City-funded daycare centers. At our request, ACD provided enrollment information for each of their fully-funded child care centers for the months of March 2002 and July 2002. After examining the data, we spoke with ACD staff and daycare center directors to decide which month would better represent the enrollment situation throughout the year. All the interviewees stated that March was more representative of the year's enrollment because there is larger than average turnover in childcare slots during the summer as some children leave daycare to enter school in the fall. In addition, many providers stated that, while there had always been intermittent instances of incorrect or out-of-date enrollment information kept by ACD, this problem has grown much worse within the past six to nine months due to the mass retirement of ACD staff. For these reasons, we chose to use March data since they appear to be most representative of the average year-round enrollment and because, if the providers' allegations are accurate, they are less likely to include serious errors.

⁴ Administration for Children's Services. *Day Care Fee Schedule*, Effective July 1, 2002.

⁵ Administration for Children's Services. *Child Care Enrollment Report*, October 2002.

⁶ Citizen's Committee for Children. *Child Care the Family Life Issue in New York City*, 2000.

⁷ Oral testimony of William Bell, Commissioner, ACS before the City Council General Welfare Committee, March 14, 2002.

Our analysis of ACD’s March 2002 data showed that there is indeed an issue with underenrollment in daycare centers.⁸ Our study yielded three major findings:

1. ***Each year, nearly 2,000 ACD center slots remain empty, at an estimated cost of more than \$17 million per year, while thousands of children remain on waiting lists.***

When a fully-funded ACD center does not operate at capacity, City funds are wasted. Overall, 48.6% of the 331 fully-funded ACD centers included in our analysis had some empty slots.⁹ We also found that 1,964 of the 33,678 fully funded daycare slots included in our calculations were vacant in March 2002. Assuming that the enrollment data from March 2002 is fairly typical of the rest of 2002 and utilizing the \$8,808 average cost per child for one year of care in a center,¹⁰ we can estimate that the City is spending roughly \$17.3 million per year on empty slots.

Although the nearly 2,000 empty slots represent only 5.8% of slots Citywide, the vacancies are disproportionately located in a small number of centers. While only 70 centers, or 21% of the daycare programs in our analysis, were underenrolled by 10% or more, these programs held almost 40% of the City’s vacant slots. Further, while just 31 centers or 9% of total programs were 20% or more underenrolled, these centers held almost 18% of the Citywide vacancies. These differences highlight the great variation in enrollment status experienced from one center to the next.

In some centers, up to 72 spaces were vacant, representing more than 50% of their capacity. Overall, 14 programs had more than 20 empty spaces. In other centers there were no or few vacancies. Since there were no obvious patterns in these enrollment variations, we examined the differences between boroughs, which resulted in some interesting findings.

Figure 1: Comparison of Capacity, Waiting Lists and Vacancies for Fully-Funded Childcare Centers, by Borough

	Total Slots (Capacity)	Vacancies	% of Slots that are Vacant	Estimated Waiting List¹
Brooklyn	14,927	830	5.6%	6,697
Bronx	6,374	347	5.4%	1,628
Manhattan	8,289	415	5.0%	1,367
Queens	3,808	289	7.6%	1,168
Staten Island	280	83	29.6%	194
Citywide	33,678	1,964	5.8%	11,051 ²

¹ These figures represent the estimated number of children waiting for care in fully-funded daycare centers. We were able to obtain ACD waiting list data separated by payment type, or by borough, but not by childcare setting. Accordingly, to arrive at our estimate, we used the waiting list data for all City-contracted daycare slots, the overwhelming majority of which are in fully-funded daycare centers. Since contract slots account for 23.6% of all children on ACD waiting lists, we applied this figure to the total waiting list in each borough to estimate the number of children on waiting lists for contract care in each borough.

² Due to rounding error, the borough figures for contract waiting lists do not total ACD’s Citywide contract waiting list figure.

⁸ Although we were unable to obtain ACD’s March 2003 vacancy data, which we requested for comparison purposes, based on interviews with and anecdotal reports by ACD staff and daycare center directors, we believe that our analysis also reflects the current enrollment situation.

⁹ While there are a total of 334 fully-funded centers, we excluded three of these centers from our analysis, as ACD reported that two were in the process of opening and another was closing during March 2002.

¹⁰ When asked the average cost per slot at fully-funded daycare centers, ACD staff cited this figure, which is presented in the *Mayor’s Management Report, Fiscal 2002*.

While between 5% and 30% of slots in each borough were empty, every borough had a waiting list. Brooklyn’s waiting list of 6,697 was the largest of all the boroughs, as was its number of daycare vacancies (830). In the Bronx, where 1,628 children awaited a spot in a fully-funded center, 347 slots were empty. For Manhattan, 1,367 children waited for care despite the existence of 415 vacancies, while Queens had 1,168 waiting and 289 vacancies. Although Staten Island has the smallest childcare capacity of the five boroughs, its waiting list for contract care (194) is nearly 70% of its capacity. Interestingly, 29.6% of that borough’s slots (83) are vacant, a larger portion than any borough.

2. Fewer than half of childcare centers are overenrolled, as recommended by ACD.

Aside from vacancies discussed above, the number of children in attendance and enrolled in any particular center necessarily varies greatly from day to day and month to month due to a variety of factors, including routine absences due to illness or vacation schedules. Families may move, no longer need child care assistance, switch their child to a different program or disenroll their child from a program once he or she is old enough to enter school. In order to account for these variables and try to ensure that centers operate as close to full capacity as possible, ACD staff reported to us that they recommend that all fully-funded childcare centers overenroll by 10%, although this recommendation is not written in ACD guidelines. In our analysis, we found that many childcare centers are not overenrolled as recommended.

Only 10.9% of centers Citywide were actually overenrolled by the suggested 10%. Another 35.9% were overenrolled by less than 10%. In all, only 46.8% of daycare centers are overenrolled at all. In fifteen centers, enrollment mirrored capacity and the centers were neither over- nor under-enrolled. The largest percentage of centers, 48.6%, were underenrolled. Citywide, 21.1% of centers were underenrolled by 10% or more, which included 9.4% that were underenrolled by more than 20%. This breakdown is shown by borough in Figure 3.

Figure 2: Citywide Fully-Funded Childcare Vacancies, By Borough

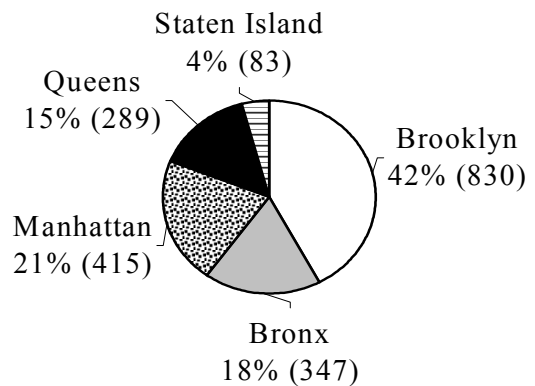
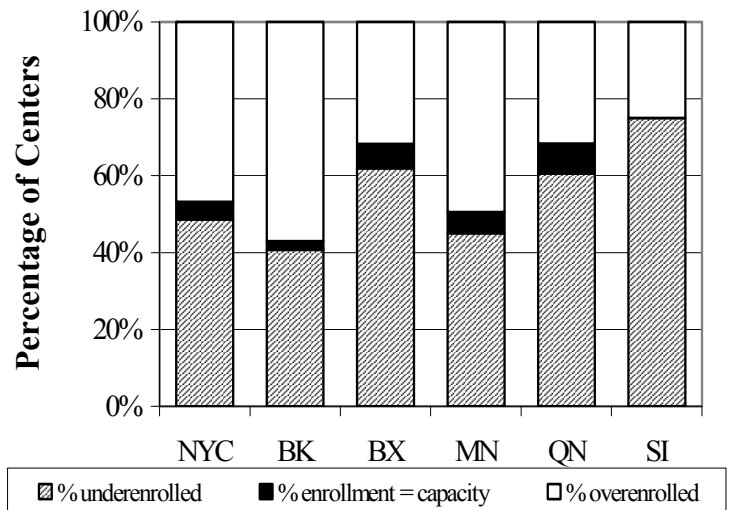


Figure 3: Enrollment Status of Centers, by Borough



Interestingly, in each borough except Brooklyn, the percentage of centers with vacancies was larger than the percentage of centers that were overenrolled. Therefore, Brooklyn seems to best be meeting the goal of overenrolling its centers, but because it has more centers than the other boroughs, it still has the greatest number of vacant slots.

3. There are numerous “reservations” in childcare centers.

Separate from the waiting list for subsidized childcare maintained by ACD, many daycare centers keep their own list of what they call “reservations”. Approximately three-quarters of the fully-funded daycare centers in our analysis reported that they had at least one reservation in their program. Although ACD collects statistics regarding reservations reported by childcare centers, ACD staff reported that the agency has no guidelines for the use of the term and is unsure of how the centers utilize the term. Consequently, it is not clear how the large number of reservations we found in our analysis should be interpreted.

In childcare programs that are fully enrolled and have no empty spaces, “reservation” would seem to mean simply that a child is entitled to fill the next daycare slot that becomes vacant. Thus, for the 64.1% of centers overenrolled or enrolled exactly at capacity that have reservations, the term appears to be used as an internal waiting list. However, we were concerned to discover that 93.7% of underenrolled centers also keep reservations. For these centers, it appears that the term reservation is used in a slightly different way, as underenrolled centers theoretically should not have families waiting for a space in their daycare programs when they have vacancies. Still, many of these underenrolled centers keep numerous reservations, including one center that had 31 vacancies and 46 reservations.

B. The Issues Behind the Numbers

Our analysis of the number of empty slots in fully-funded childcare centers confirmed that there is indeed a problem with daycare center vacancies. A central question left unanswered by our analysis is why, when thousands of families are waiting for childcare assistance, there are almost 2,000 empty daycare slots. It is also unclear why so few centers are overenrolled as recommended by ACD and why reservations are so prevalent in underenrolled centers. To begin to understand these issues, staff of the Comptroller’s office spoke with ACD staff and interviewed daycare providers and childcare advocates. These discussions began to shed light on the confluence of factors that may contribute to underenrollment and require further investigation by ACD. Three of the most frequently cited issues are:

1. ACD understaffing reportedly causes delays in eligibility determinations.

All the people we interviewed, including ACD staff, reported that ACD understaffing has made it difficult for the agency to carry out its duties in a prompt manner. In March 2002, ACS Commissioner William Bell testified at a City Council hearing that ACD is

indeed understaffed, with the number of staff dropping from 800 to 275.¹¹ ACD has reportedly lost many senior staff due to retirement and has been unable to replace them. The shortage of staff may contribute to excessive vacancies in City-funded childcare centers by affecting the speed with which eligibility verifications for parents applying for subsidized childcare are performed. When a daycare center determines a family's initial eligibility for subsidized daycare, the completed paperwork is sent to ACD for verification of eligibility. Many providers told us that verification regularly takes ACD two to three, and in some cases, up to six months, and some centers claimed that ACD instructed them not to care for a child before they receive verification. This forces them to keep the slot empty while awaiting the appropriate paperwork. These providers reported that they hold a slot for a child awaiting verification by placing his/her name on their center's reservation list. If there are indeed many children awaiting ACD verification, this practice of holding slots could partly account for the large number of reservations uncovered in our data analysis. The next issue may compound this problem.

2. ACD reportedly does not allow providers to complete new eligibility reviews when they are fully enrolled.

Several childcare center directors with whom we spoke were frustrated with ACD rules that they believe limits their ability to overenroll their childcare centers. They told us that one way providers can limit the number of empty slots in their centers due to natural turnover is to complete eligibility verifications for children seeking care prior to a slot being available. This means that a center would complete the initial eligibility paperwork with the parent and send it for ACD verification while the child awaits an opening in the center, thereby ensuring that the child could immediately begin receiving care as soon as the slot becomes available. However, some providers report that ACD has told them that ACD will not verify eligibility for childcare until there is a vacant slot in the center. If accurate, this allegation is particularly troubling, considering the amount of time it reportedly takes ACD to verify a parent's eligibility. In addition, this practice makes it impossible for daycare centers to overenroll by 10 percent as recommended by ACD.

3. ACD allegedly has poor communication with HRA.

Providers complained that recent problems in communication between HRA and ACD affect ACD daycare centers. They reported that when providers care for HRA children, the spaces are sometimes not properly accounted for in ACD's records. This means that a center that cares for HRA children may actually be operating at capacity, but this information is not reflected in ACD statistics because the HRA children are not included in the ACD database. One daycare provider described a recent situation where, although she believed her center to be fully enrolled, ACD's records showed 10 vacancies in her center. Upon further investigation by the director and ACD staff, it was discovered that the center was indeed fully enrolled, as the 10 vacancies in ACD's database were actually occupied by HRA children.

Our interviews with providers from different boroughs suggested that the borough in which a daycare center is located and hence the Resource Area (ACD borough office) to which it reports may affect the issues it faces. Some procedures and policies reportedly

¹¹ Oral testimony of William Bell, Commissioner, ACS before the City Council General Welfare Committee, March 6, 2002.

differ between Resource Areas. For example, one provider reported that the Resource Area in Brooklyn allowed her to determine a child's presumptive eligibility and begin caring for the child before ACD completed its eligibility verification. This same provider runs a daycare center in the Bronx in which, she claims, the Resource Area directs the centers not to care for children until ACD has verified their eligibility.

C. Recommendations

ACD needs to determine how the agency and the fully-funded childcare centers can improve their individual and collective functioning to fill vacant slots. To work toward full enrollment in these centers, ACD should implement the following recommendations:

1. Investigate causes for underenrollment of daycare centers and develop a plan of action to address the causes.

In this study, we have begun to look at some of the possible causes of underenrollment. ACD needs to further explore these and other factors that may contribute to underenrollment. For example, ACD should undertake a geographic analysis of childcare need and daycare center location to determine whether the number of slots available in each community matches the local need for subsidized childcare. Following its investigation, ACD should develop a plan to address its findings.

2. Improve the referral system at ACD.

Currently, parents in need of childcare assistance are simply provided with a list of programs by ACD or the State-funded Child Care Resource and Referral programs that does not indicate the enrollment status of the centers. Parents are then required to call the lengthy list of providers, which may include centers that do not accept subsidized children, do not provide care during the hours needed or do not have vacancies. An improved system of referral could be used to quickly funnel children into vacant spaces in City-funded daycare programs. One way to provide such referrals is to develop a real-time computer tracking system for this purpose. Parents could have the option of accessing the system through any computer in addition to receiving the information from the State-funded Child Care Resource and Referral programs.¹² The database could be searched by variables such as the child's age and hours of care or special services needed, and it could produce a list by neighborhood of centers with vacancies. Considering that an estimated \$17.3 million is being wasted each year by paying for vacant slots, the cost of development of the computer database would be well worth the investment. Alternatively, monthly reports could be developed tracking the number of vacancies at each center. While this method is not as effective as the computer database, it would be of greater assistance in funneling parents toward available slots than would the current practice of simply giving parents a list of centers.

¹² The New York State Office of Children and Family Services provides funding to certain community-based organizations to serve as Child Care Resource and Referral Agencies. One of the duties of these agencies is to help parents find appropriate daycare for their children.

3. Review ACD operations to maximize enrollment.

It appears that there may be staffing and other issues in ACD's operation that impact upon the enrollment of the fully-funded programs. Several providers reported that ACD's accounting of their current enrollment is often incorrect or not up-to-date. According to the providers, while a small degree of inaccuracy has always existed in ACD's enrollment data, such inaccuracies have recently become much more problematic, as ACD lost large numbers of staff during City buyouts.¹³ ACD cannot maximize the utilization in its centers without having correct data regarding the number of empty spaces in each center. In addition, ACD should not penalize centers if a space is empty because circumstances at ACD delay the completion of an eligibility verification. For example, ACD has stated that families are not scheduled for eligibility interviews until a daycare slot or voucher becomes available.¹⁴ ACD should revisit this practice so that eligibility interviews are complete and children are prepared for enrollment in a center as soon as a space becomes available. We urge ACD to look into its entire operation as it pertains to daycare center enrollment, but in particular, the updating of enrollment data and the handling of verifications. We also encourage ACD to develop a consistent written position on overenrollment that all centers can follow.

4. Improve communication between ACD and HRA.

Providers report problems in accounting for enrollment when they serve HRA children. ACD needs to work with HRA to resolve this issue if it exists so that ACD has an accurate accounting of the total number of children, whether ACD or HRA, that a center is serving at any one point in time.

5. Develop standard procedures for all Resource Areas.

ACD should ensure that the operational procedures for each of its four Resource Areas are standardized so that the processes used do not differ between offices. By looking at the effectiveness of the procedures used in each Resource Area, ACD can find those that work best and utilize these in each of its centers.

¹³ Specifically, providers reported that poor accounting of enrollment by ACD has become much more problematic within the last year.

¹⁴ William C. Bell, Commissioner, Administration for Children's Services. *Prepared Testimony Before the City Council General Welfare Committee*, March 6, 2002.

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