

March 2015

Universal Pre-Kindergarten: Enrollment and Funding

Following up on the Mayor's campaign promise to expand the city's pre-kindergarten program to make full-day services available for all 4-year olds, the de Blasio Administration opened the 2014-2015 school year with 32,700 more full-day pre-k enrollees than last year, with further expansion planned for the coming year. The preliminary budget assumes that there will be sufficient state funding to cover the costs of expanding the program in 2015-2016.

The city initially planned on funding pre-k expansion with an income tax surcharge on high-income households, but state leaders objected to the tax increase and instead established a new state funding stream for pre-k expansion initiatives across the state. Last spring, the state allocated \$340 million in additional statewide funding for 2014-2015, with a commitment from the Governor to fund pre-k expansion on a recurring basis for school districts looking to do so. With few districts outside the city participating in the new program, New York City received \$300 million of the new money this year. The city's preliminary budget expects total state funds for the city's pre-k program will grow to \$565 million in 2016, about \$40 million more than in this year's budget. Given the still-limited participation by other districts in the state, there should be sufficient funds available to cover the city's funding need.

Enrollment and Facilities. Publicly funded pre-kindergarten programs have been provided in New York State for the last 40 years, although until recently they have not reached all the children who were eligible. In developing its plan for expanding pre-k, the de Blasio Administration estimated that the city needed to offer 73,250 families a full-day pre-k option. Meeting this need would require converting many half-day programs to full day and creating new full-day seats where none existed before.

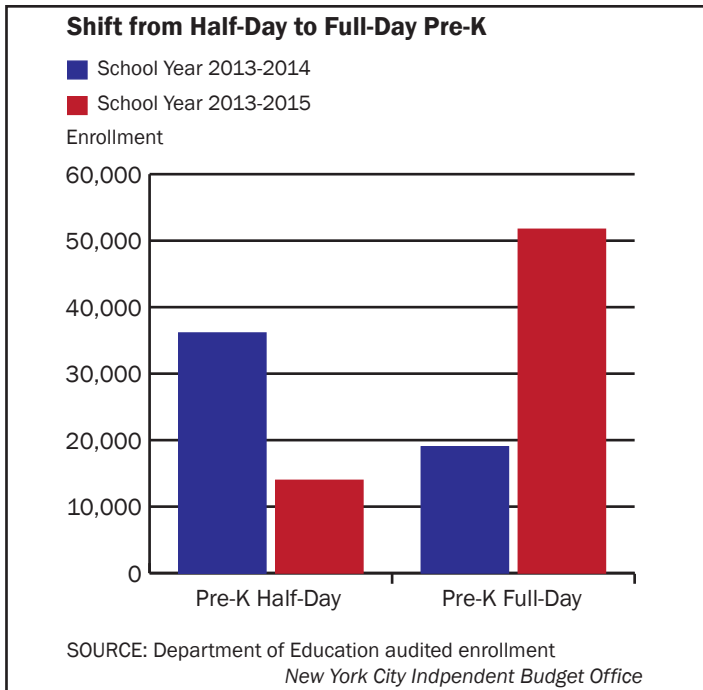
Prior to 2013-2014, fewer than 27 percent of 4-year olds were enrolled in full-day programs. Another 54,000 children either attended a half-day free pre-k with no additional services, a free half-day program with a fee charged for the remainder of the day, or a program under contract with the Administration for Children's Services (ACS) that combined half-day pre-k with child care and Head Start services. The 12,700 children in ACS programs had to meet income eligibility requirements and, in some cases, pay child care fees. The de Blasio Administration's implementation plan concluded that even if these seats were counted as preexisting full-day options, there would still be approximately 41,000 additional children in need of full-day services.

The de Blasio Administration aimed to increase full-day enrollment to 51,000 in the first year of expansion. The actual enrollment figure was slightly higher, with 51,723 children receiving full-day pre-k services at Department of Education (DOE) and community-based organization (CBO) sites in the 2014-2015 school year. Counting half-day and full-day programs together, enrollment this school year totaled 65,688 students.

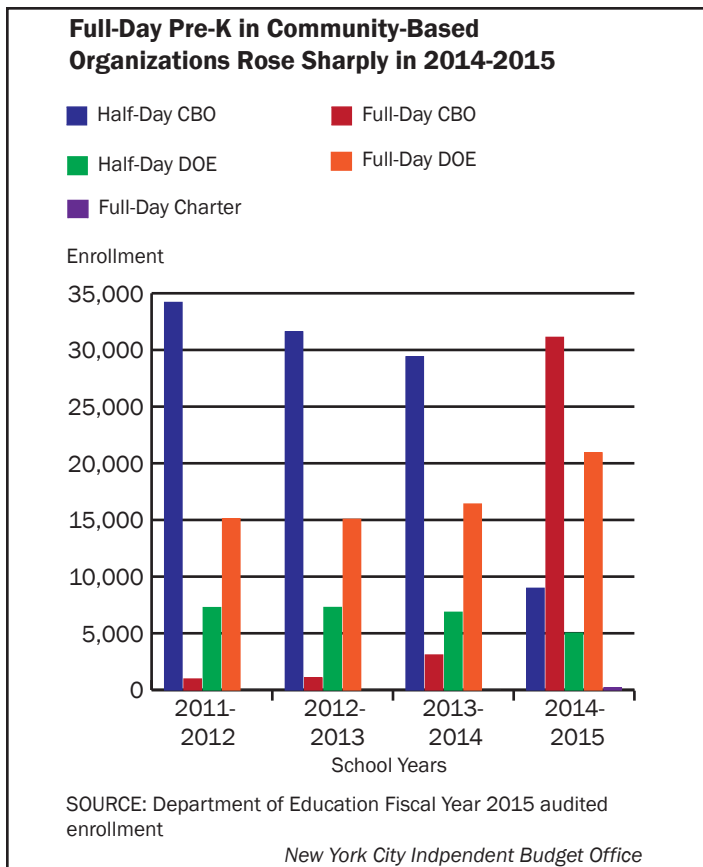
Besides expanding pre-k enrollment overall, the Mayor's initiative has resulted in a large shift from half-day to full-day programs. As half day enrollment fell from 36,000 in 2013-2014 to 19,000 in 2014-2015, full-day enrollment swelled from 14,000 to nearly 52,000 students.

Only a small part of this year's expansion occurred in Department of Education facilities. Historically, a smaller portion of the city's pre-kindergarten program has been located in DOE facilities; instead, the city has long relied on programs run by community-based organizations operating under contract with the department. This pattern has continued under the de Blasio Administration's initiative, with





CBOs accounting for most of the increase in enrollment. The CBO pre-k sector grew by 8,000 seats, combined with the simultaneous conversion of many of their programs from half-day to full-day services. Last year, students in CBO pre-k classes comprised 59 percent of total enrollment and this share has increased to 61 percent this year. The number of full-day students in community-based organizations grew

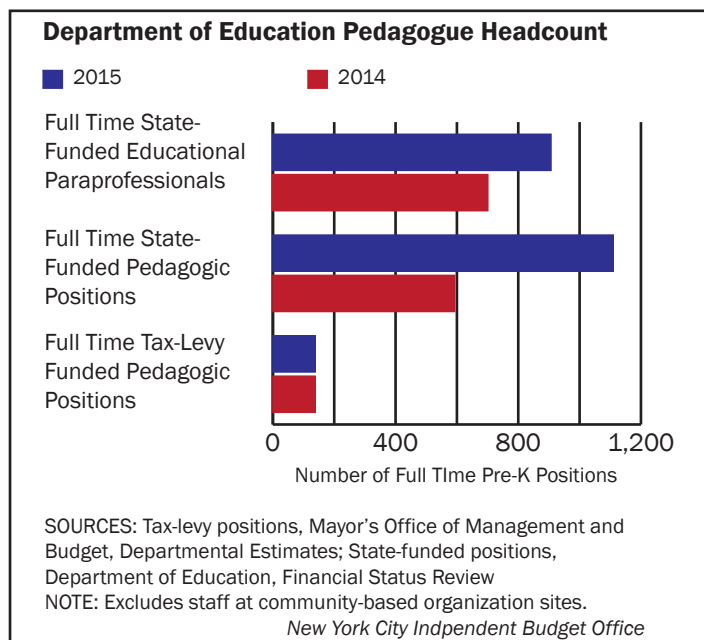


sharply, rising from 3,000 in 2013-2014 to more than 31,000 this year, while CBO half-day enrollment declined by more than 20,000. Changes in DOE schools were more muted as full-day enrollment increased by 4,700 and half-day enrollment declined by 1,800.

Funding and Headcount. Funding has increased both to provide additional full-day services and to expand the educational content of the program. Overall, the city's pre-k budget grew from a total of \$232 million in 2014 to \$575 million this year, a 60 percent increase. The increase for 2015 was largely due to the new state commitment of \$300 million; as a result, state revenue now comprises more than 90 percent of the city's pre-k expense budget.

The preliminary budget assumes total state funds for pre-k in the city will grow to \$565 million, including \$340 million from the state's pre-k expansion funds. In the Governor's executive budget there is \$340 million to continue the expanded pre-k program statewide for the 2015-2016 school year, the same amount that was appropriated last spring by the state for the 2014-2015 school year. (His budget also includes a \$25 million competitive grant for innovative pre-k programs.) Because there was little interest in expanding pre-k elsewhere in the state, the city was able to access the \$300 million it had sought for its program. Assuming other districts continue to show limited interest in pre-k expansion, the Governor's budget for next year would be sufficient to accommodate the city's hoped for \$340 million in pre-k expansion funds.

Department of Education headcount data shows a large increase in the number of state-funded pre-k positions



Changes in Pre-K Budget Lines as Program Expands				
Budget Category	2013-2014		2014-2015	
	\$(000)	Share	\$(000)	Share
Payments to Contract Schools	\$83,594.4	36.0%	\$238,036.2	41.4%
Pedagogic Personal Services (DOE)	101,549.7	43.7%	185,654.2	32.3%
Salaries	71,397.2	30.6%	128,235.9	22.2%
Health Insurance	16,421.7	7.0%	29,341.6	5.1%
Other Benefits	13,730.7	5.9%	28,076.7	4.9%
ACS Intracity Grant	41,340.2	17.8%	94,867.8	16.5%
Other Professional Services	751.8	0.3%	19,135.0	3.3%
General Supplies and Materials	1,001.3	0.4%	6,537.9	1.1%
Equipment	0.0	0.0%	3,605.5	0.6%
Hourly Personal Service	2,908.3	1.3%	6,229.9	1.1%
Curriculum/Professional Development Services	146.1	0.1%	4,766.2	0.8%
Nonpedagogic Personal Service	368.9	0.2%	4,574.1	0.8%
Noncontractual Services	525.2	0.2%	2,835.5	0.5%
Per Session	130.3	0.1%	2,677.0	0.5%
Data Processing Consultants	0.0	0.0%	2,173.3	0.4%
Printing Contracts	10.0	0.0%	1,344.0	0.2%
Text Books	27.6	0.0%	1,113.5	0.2%
Other	128.3	0.1%	1,300.8	0.2%
TOTAL	\$232,482.2	100.0%	\$574,850.9	100.0%

SOURCE: New York City's Financial Management System—includes all funds
NOTE: Totals may not sum due to rounding.

New York City Independent Budget Office

between school year 2013-2014 and school year 2014-2015. Based on data from December 2013 and December 2014, the number of full time pre-k pedagogic positions—primarily teachers—grew from 593 positions to 1,110 positions in 2014. Likewise, the number of state-funded educational paraprofessionals working in pre-k programs grew to over 900 positions. In contrast, there was no change in the number of city tax-levy funded pre-k teachers from 2014 to 2015. Overall, pre-k headcount grew by 723 positions to a total of 2,155. Note that this data only includes staff working for the Department of Education; staff working at community-based organizations are not included in the DOE headcount.

Looking at the various components of the pre-k program budget we see that the largest expenditures are currently for payments to CBOs, which are labeled payments to contract schools. Payments to outside contractors nearly tripled, rising from \$84 million in 2014 to \$238 million in 2015. Spending on personal services for staff at DOE pre-k sites (pedagogic personal services) grew by 82.8 percent, reflecting the increase in the number of teachers and other staff, as well as the higher teacher salaries under the recent contract with the teachers' union. Although total personal services costs at DOE sites grew, this category,

which had accounted for the largest share of pre-k spending before the expansion, now trails the payments to contract schools, as the share of payments to CBOs grew even faster.

Some of the smaller categories have also grown rapidly as the program's expansion has spurred much greater spending on items such as other professional services, professional development, and data processing consultants. The amount of pre-k funding going to the Administration for Children's Services more than doubled from \$41 million in 2014 to \$95 million this year. These funds are for CBOs that provide pre-k services under contract with ACS. ACS sites also use child care and Head Start programs to offer additional services. Most of the new funding was used to enhance the educational content of the ACS programs in order to align services with the DOE pre-k model.

Going forward, the city's pre-k program may be able to access additional funding. While the Governor's executive budget did not increase state funding for the pre-k expansion that he pushed through last year, it did include a \$25 million dollar proposal to add 3-year olds to pre-k programs in high need school districts. Although the DOE has not indicated whether it will participate, more than

250 school districts will be eligible to apply for the funding, which is expected to create at least 5,000 seats. New York State will also be the recipient of a four year, \$100 million federal expansion grant for high quality pre-k programs. The federal expansion dollars were awarded to states that serve at least 10 percent of their 4-year olds or have received a Race to the Top Early Learning Challenge grant.

Programs funded with this money are expected to become models for preschool expansion to all 4-year olds from low- and moderate-income families. New York City will be among five high-need communities to be served under New York State's plan, along with Indian River, Yonkers, Port Chester, and Uniondale.

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