Department of
Early Education and Care

The Commonwealth of Massachusetts

Amy Kershaw, Acting Commissioner

Commonwealth Cares for Children (C3) Quarterly Report to the Legislature: FY2023 Quarter 1

December 30, 2022

Massachusetts Department of Early Education and Care
Commonwealth Cares for Children (C3) Quarterly Report to the Legislature:
FY2023 Quarter 1

Honorable Michael Heffernan
Secretary, Executive Office for Administration and Finance
State House, Room 373
Boston, MA 02133

Honorable Michael Rodrigues
Chairman, Senate Committee on Ways and Means
State House, Room 212
Boston, MA 02133

Honorable Aaron Michlewitz
Chairman, House Committee on Ways and Means
State House, Room 343
Boston, MA 02133

Honorable Jason Lewis
Chairman, Joint Committee on Education
State House, Room 511-B
Boston, MA 02133

Honorable Alice Peisch
Chairwoman, Joint Committee on Education
State House, Room 473G
Boston, MA 02133

Dear Secretary Heffernan, Chair Rodrigues, Chair Michlewitz, Chair Lewis, and Chair Peisch,

Pursuant to the requirements of line item 3000-1045 of section 2 of Chapter 126 of the Acts of 2022, the Department of Early Education and Care (EEC) submits the following quarterly report on the Commonwealth Cares for Children (C3) stabilization grant.

In July 2021, as early education and care providers continued to face financial challenges due to the COVID-19 pandemic and as system-wide early education and care capacity was slow to return to its pre-pandemic levels, EEC launched the Commonwealth Cares for Children (C3) stabilization grant program. This non-competitive grant was designed and continues to provide a foundational payment to child care providers to help support day-to-day operations and keep programs open and accessible to Massachusetts families with young children. C3 grants are used to support a variety of existing operational costs, including labor expenses, along with new investments in compensation and other quality supports.

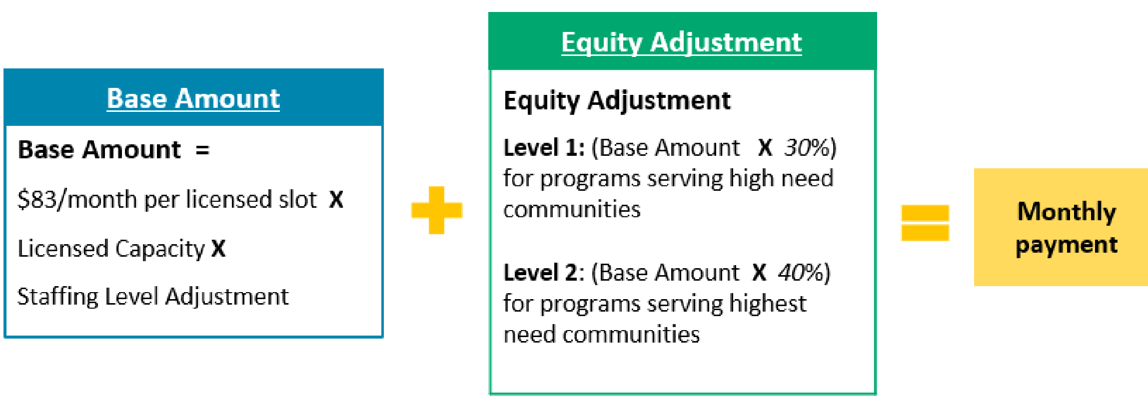
In Fiscal Year 2022 (FY22), the C3 program disbursed approximately $418 million to over 6,800 early care and education providers through a combination of federal American Rescue Plan Act (ARPA) and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funds. During the first three months of Fiscal Year 2023 (FY23), $92M has been approved for payment to more than 6,300 programs, employing over 32,000 educators through a combination of federal ARPA and state general fund dollars.[1]

Overview of the C3 Formula

In the summer of 2021, the Department worked with Third Sector Capital Partners to develop a formula for distributing monthly C3 funding that incorporated several key principles:

- Stability: The Department aims to support providers in meeting key operational and workforce needs during the pandemic to ensure that programs could remain open and accessible to families despite financial and operational challenges resulting from the COVID-19 pandemic.
- Equity: C3 funds are available to all providers, and the formula intentionally directs additional funds to providers in historically marginalized communities and to those serving families receiving child care subsidies.
- Adequacy: The formula is designed to be sufficient to support basic operations and allow providers to invest meaningfully in recruiting and retaining the early education workforce.
- Simplicity: The formula is simple to administer and for providers to understand, so that both the Department and providers can anticipate the grant amount each month.

With these key principles in mind, the Department developed the following C3 funding formula:



1) **Base Amount**: This element of the formula ensures that grants are scaled appropriately based on program size. Each eligible provider receives a base amount of $83.33 per month for each licensed seat in their program. This $83.33 amount was designed to cover approximately 10% of providers' operational costs. All family child care providers (FCC) are funded at a license capacity of 10 children, which is the maximum size for which FCCs can be licensed.

[1] Providers have throughout the entire fiscal year to request reimbursement for July-September 2022. Therefore, the number of providers applying for funding for first three months of FY23 will increase over time.

2) **Staffing Level Adjustment:** Recognizing that staffing is the single largest cost driver in most program budets, the staffing level adjustment was designed to direct additional funding to programs with larger per child staffing costs. This includes providers that serve infants and toddlers, which requires a lower child to educator ratio, as well as programs that employ additional educators to provide services such as longer hours for families or lower educator to child ratios. FCC providers receive an additional 1.5 times their base amount if they employ a part-time assistant and an additional 2 times their base amount if they employ a full-time assistant. Group and school age (GSA) providers receive a staffing level adjustment based on the ratio between the number of FTEs that they employ and a minimum required by regulations to serve their license capacity.

3) **Equity Adjustment:** Each provider's base amount and staffing level adjustment is multiplied by an equity adjustment to direct additional funding to providers in historically marginalized communities and those serving children receiving child care subsidies. The equity adjustment leverages the Center for Disease Control's Social Vulnerability Index (SVI) as well as the proportion of a provider's license capacity that is filled with children receiving subsidies. If a provider is located in a census tract or zip code with a high SVI or if a provider serves between 1/3 to 2/3 of its license capacity with children receiving subsidies, their base amount per slot and staffing adjustment is multiplied by 1.3. If a provider is located in a census tract or zip code with a highest SVI or if a provider serves more than 2/3 of its license capacity with children receiving subsidies, their base amount per slot and staffing adjustment is multiplied by 1.4.

Incorporation of Equity into Formula

EEC, in partnership with Third Sector Capital Partners, uses a number of metrics to track the extent to which the formula is successful at prioritizing equity by directing additional funds to providers in historically marginalized communities and those serving families receiving child care subsidies, as well as by providing additional funding to providers that offer more expensive services requiring higher staffing levels, such as serving infants and toddlers. For example, EEC monitors the total grant funds allocated to providers that serve children receiving child care subsidies and providers in more socially vulnerable communities to ensure that the equity bonus is successfully allocating additional funding to these providers. Through September 30, 2022, 64% of total grant funds have been awarded to providers that serve children with subsidies. **Table 3** summarizes the proportion of funds allocated to providers that do and do not serve children with subsidies, by provider type.

Table 3. Proportion of C3 Funds Distributed based on Subsidy Participation

	Total Grant Funds	Not Serving Children with Subsidies		Serving Children with Subsidies	
		Grant Funds	Percent of Total Funds	Grant Funds	Percent of Funds
Family Child Care	$ 88,080,067.57	$ 30,673,291.31	35%	$ 57,406,776.26	65%
Group and School Age	$ 408,324,939.09	$ 149,127,130.66	37%	$ 259,197,808.43	63%
All Providers	**$ 496,405,006.66**	**$ 179,800,421.97**	**36%**	**$ 316,604,584.69**	**64%**

*Note: This table includes all approved C3 applications from July 1, 2021 through September 30, 2022. It does not include the $13.5 million allocated through the one-time C3 Workforce Bonus in FY22.
For purposes of this analysis, "serve children with subsidies" is defined as a program that served a child with a subsidy in Feb 2020, May 2021, Nov 2021, March 2022, June 2022, or Sept 2022, as these are the points in time incorporated into the C3 formula.

Additionally, EEC monitors the percent of all funds awarded that are the result of the equity adjustment, to ensure that this component of the formula is successfully directing additional funds to programs that serve children with subsidies and are located in more socially vulnerable communities. **Table 4** below indicates the percent of all funds awarded that are generated by the equity bonus, with breakdowns by provider type, subsidy participation, and SVI.

Table 4. Proportion of C3 Funding Generated by Equity Bonus, By Provider Type, Subsidy Participation, and SVI

	Total Grant Funds	Grant Funds Generated by Equity Bonus	% of All Funds Generated by Equity Bonus
Family Child Care	$ 88,080,067.57	$ 22,113,913.18	25%
Group and School Age	$ 408,324,939.09	$ 83,770,266.14	21%
Serving Children with Subsidies	$ 316,604,584.69	$ 75,370,835.71	24%
Not Serving Children with Subsidies	$ 179,800,421.97	$ 30,513,343.61	17%
Providers in Highest SVI Communities (SVI ≥0.75)	$ 146,700,305.24	$ 41,748,922.98	28%
Providers NOT in Highest SVI Communities (SVI <0.75)	$ 349,704,701.42	$ 64,135,256.34	18%
All Providers	**$ 496,405,006.66**	**$ 105,884,179.32**	**21%**

*Note: This table includes all approved C3 applications from July 1, 2021 through September 30, 2022. It does not include the $13.5 million allocated through the one-time C3 Workforce Bonus in FY22.

Both of these analyses indicate that the equity adjustment is effectively allocating additional funding to programs serving children with subsidies and those located in higher SVI communities. The Department will continue to collect and monitor data to ensure that the C3 grants are reaching the highest need communities and families across the Commonwealth.

Other Data Collected through the C3 Grant Process

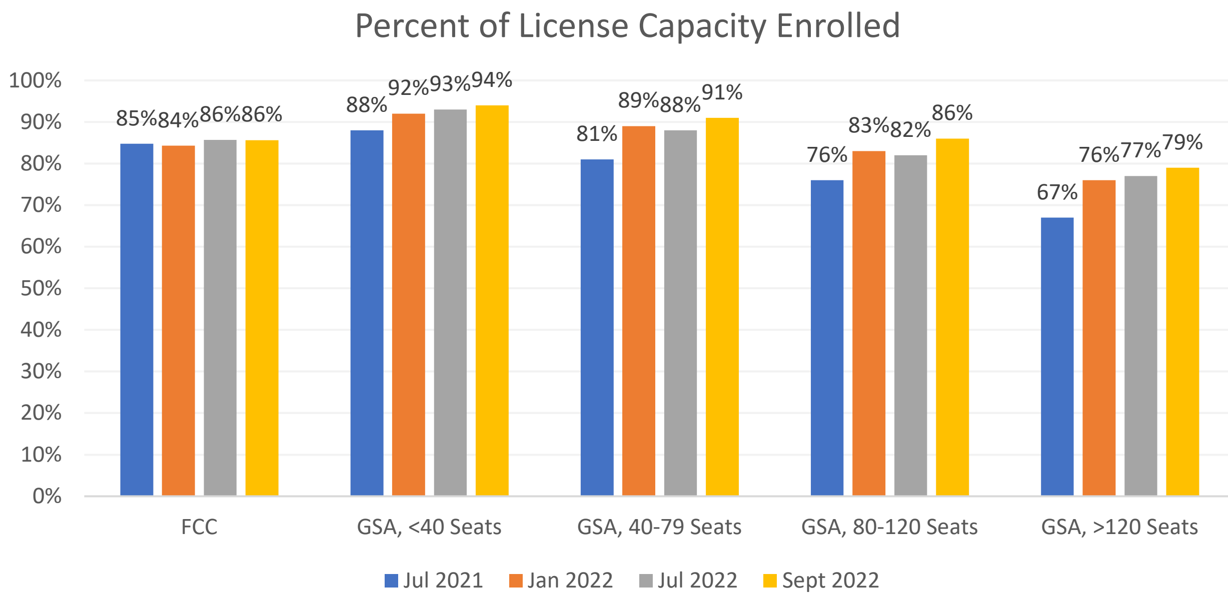
The C3 grant—both through the monthly application process, as well as a series of semi-annual surveys of C3 recipients—has provided EEC with an unprecedented level of data and insight into the status of the early education and care field. Each month, when providers apply for their C3 grant, they are asked to confirm a number of key data points including: their current license capacity; the number of children currently enrolled; the total number of FTEs they employ by role; the hourly wage of their highest and lowest paid employees by role; benefits provided to employees; and—in the case of family child care providers—whether they employ an assistant and the number of hours per week worked by these assistants. In addition to the rich data provided through the monthly C3 applications, the Department also requires C3 grant recipients to respond to a survey each fall and spring. These surveys provide more thorough data on how providers are spending grant funds; how providers have invested in their workforce across the life of the grant; educator turnover, recruitment and retention; supports that programs provide to families; and the demographics of the children that providers serve—if they collect this information and choose to report it. The survey also asks providers targeted questions about the impact of grant funding on their program operations, as well as changes that providers would have to make without grant funding. This data has provided the Department with increased insight into the health of the early care and education field, as well as the status of the workforce, and the Department has used to this data monitor the extent of the pandemic recovery from the beginning of the C3 program through the present.

One of the key metrics that the Department tracks over time is the systemwide application take-up rate—the percentage of all eligible providers that have applied for at least one month of grant funding. Currently, 88% of all FCC providers and 87% of all GSA programs have applied for at least one month of funding. Grant take-up rates are particularly high among providers serving children receiving subsidies, as 98% of subsidized FCC programs and 95% of subsidized GSA programs have applied for grant funding to date. **Table 4** displays take-up rates as of September 30, 2022.

Table 4. Systemwide Application Take-up Rates (as of September 30, 2022)

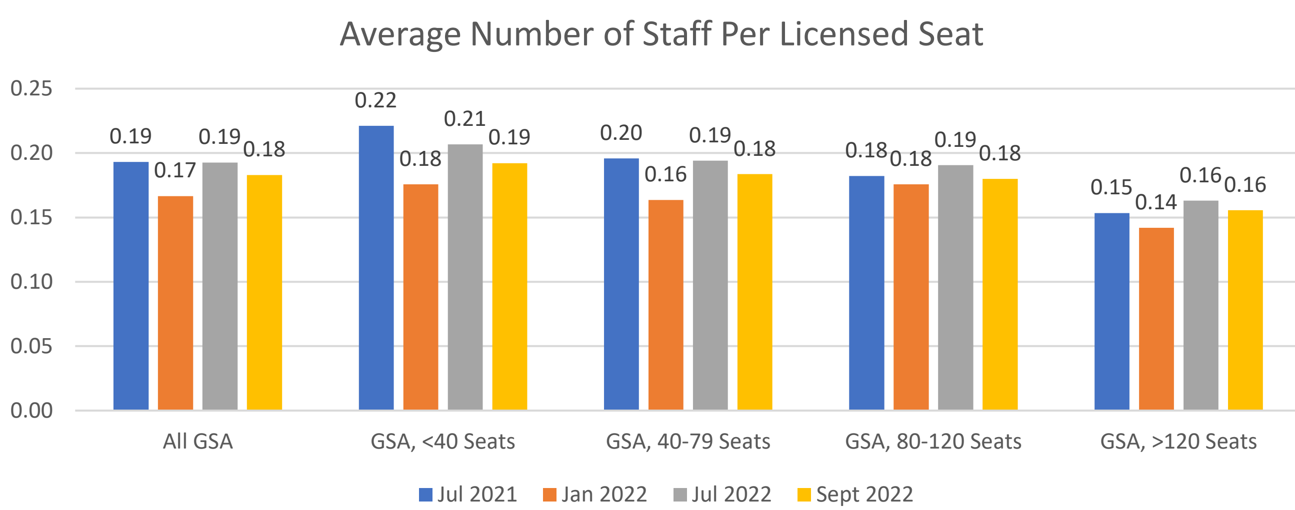
	Overall Take-Up Rates	Majority BIPOC Census Tract	Gateway Cities	Low SVI (0-.25)	Highest SVI (.75-1)	Serving Children Receiving Subsidies	Serving No Children Receiving Subsidies
Family Child Care Providers	88%	93%	92%	80%	94%	98%	81%
Group and School Age Providers	87%	90%	92%	83%	91%	95%	80%

Another key metric that the Department uses to monitor the stability of the field is the percent of program's license capacity filled with enrolled children. As indicated in the graph below, enrollment in family child care programs has remained relatively consistent over time, and enrollment in group and school age programs has increased substantially between fall 2021 and fall 2022 across all program sizes, indicating the increased ability of these programs to serve a larger proportion of their license capacity—although overall the average program still remains below full capacity.



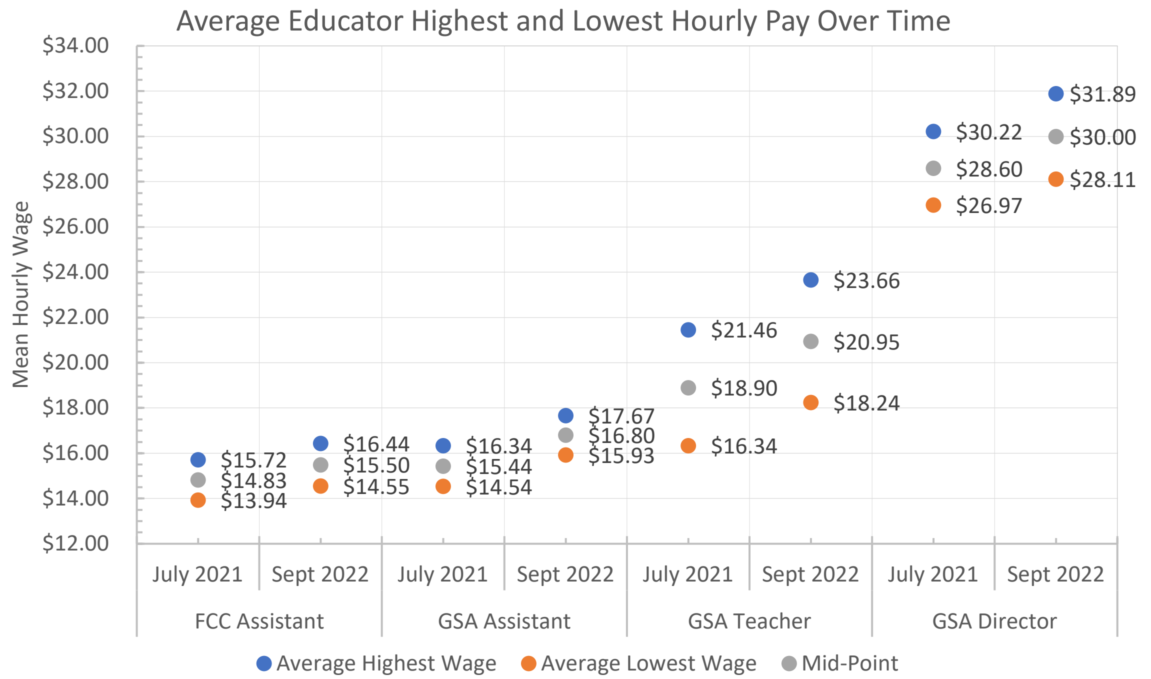
*Note: This graph does not include the license exempt Boys and Girls Clubs, due to the drop-in nature of their programming.

One likely factor contributing to the ability of GSA programs to enroll a higher percentage of their license capacity is the growth in staff among these programs. An analysis of monthly survey data indicates that seasonality plays a large role in systemwide staffing—with the number of staff per licensed seat consistently higher during the summer months. Data below from winter to fall 2022 demonstrate that the number of staff per seat during the school year has increased slightly. While academic year staffing numbers have increased over the course of the grant, widespread staffing shortages continue to impact early care and education providers. In a recent survey this fall, for example, 29% of all GSA programs reported that unfilled staff openings still prevented them from serving their full license capacity.



*Note: This graph does not include the license exempt Boys and Girls Clubs, due to the drop-in nature of their programming.

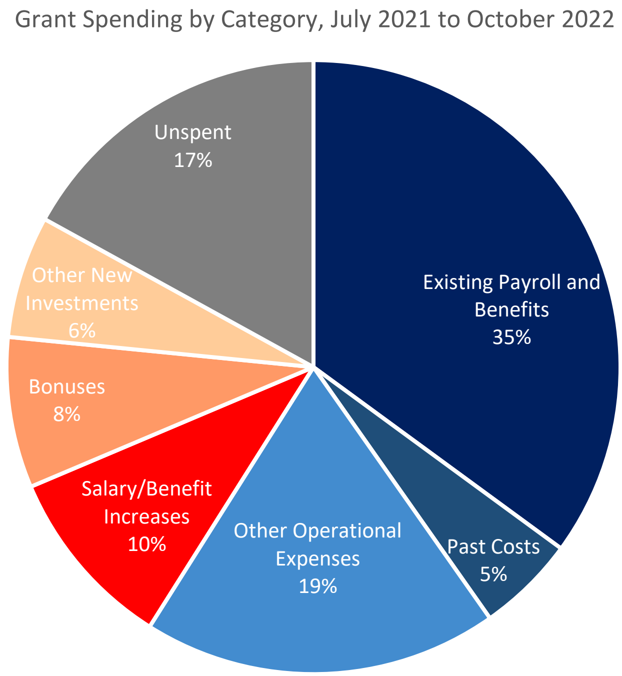
Finally, through the salary data that providers submit as part of the grant application process, the Department can examine changes in educator hourly pay over time. On average, the highest hourly wage paid to teachers across GSA programs over the course of the grant has increased by $2.20 and the lowest wage paid to teachers across GSA programs has increased by $1.90. Despite this growth, educator salaries in the early education and care sector remain low compared to other sectors.



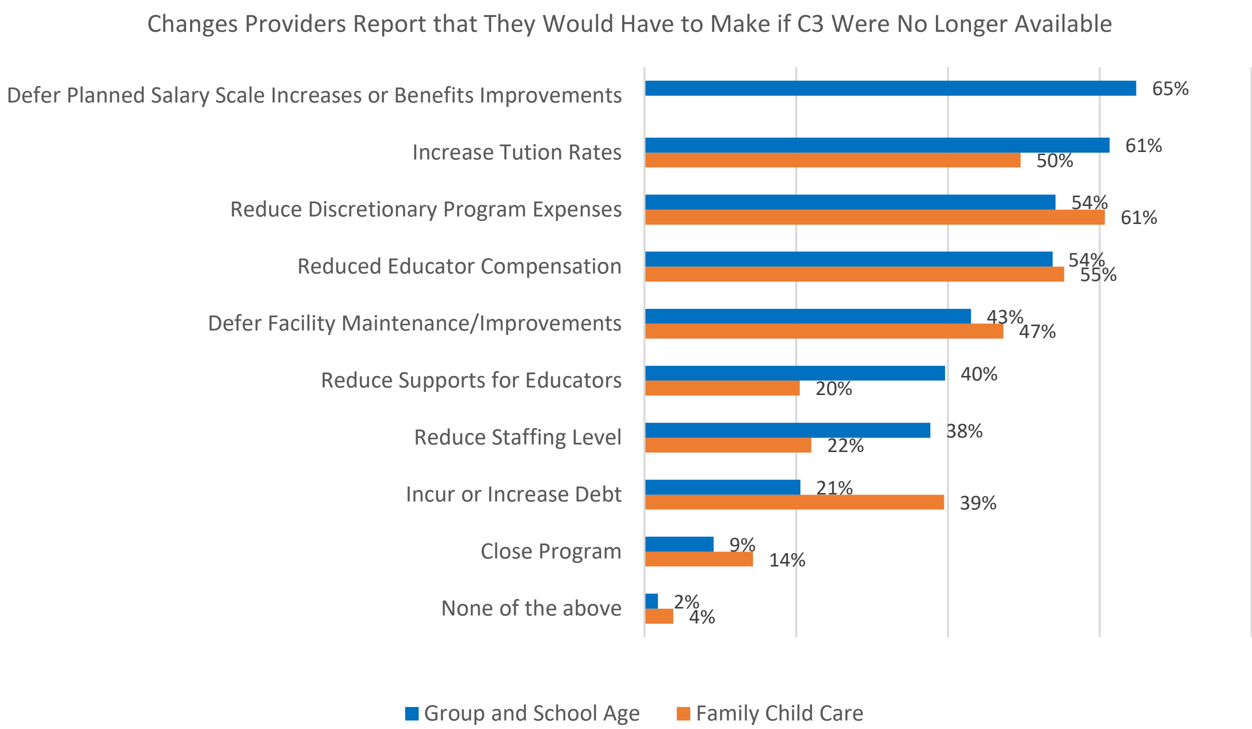
Note: This wage data does not include data for Family Child Care licensees, as EEC does not currently collect this data.

As discussed above, the Department also uses data from its semiannual C3 provider survey to gather additional information beyond the data collected through the monthly application process. This survey asks providers in more detail about how they are spending grant funds. As evidenced in the chart below, providers have spent almost 60% of all grant funds on operational expenses—from paying existing staff salaries and benefits, to covering past costs incurred during the pandemic, to other operational expenses, including rent, mortgage, utilities, insurance, and PPE. While the proportion of funds that providers are spending on operational expenses has decreased to approximately 60% in fall 2022, relative to 66% in the prior fall, it continues to make up the bulk of C3 spending.

As of fall 2022, providers have dedicated almost one quarter of all grant funds to new investments, including investments in salary and benefit increases, bonuses or other forms of one-time pay to educators, and other new investments—including investments in new supplies or materials, curricula, supports for educators, and mental health supports for staff and children. The proportion of funds allocated to new investments has increased during the grant period—up from 20% of all funds at the same time last year—indicating that while providers continue to spend the majority of funds on operational expenses, they are increasingly investing funds in staffing and program quality.



The semi-annual surveys also allow the Department to better understand the impact of C3 funding, including the potential impact on programs if C3 funding were no longer available. In the fall 2022 survey, providers were asked to report what changes they would have to make if C3 funding were no longer available, and the results are indicated in the graph on the following page. It is clear that both families and educators would be significantly impacted if C3 funds were no longer available, as 65% of GSA providers reported that they would have to defer planned salary increases or benefit improvements without grant funds, and more than half of both GSA and FCC providers reported that they would have to reduce education compensation with the funding. Additionally, more than 60% of GSA providers and half of FCC providers reported that they would have to increase tuition rates without grant funding, demonstrating that the grant has enabled programs to address family affordability. Finally, 14% of FCC providers and 9% of GSA providers reported that they would have to close without continued C3 funding—which would mean the loss of over 15,000 licensed seats statewide.



These data indicate that while program enrollment and school year staffing, as well as educator hourly pay, have risen throughout the grant period, programs continue to experience significant challenges in financing their operations. Providers continue to utilize grant funds to support core operational expenses and maintain capacity for working families, while also using a portion of these funds to invest in the workforce through increased compensation, benefits, and professional development, and they would be heavily impacted if these funds were no longer available.

The Department will continue to use these and other metrics to monitor the health of the early education and care field and propose program investments and innovations. The Department will update the legislature quarterly on grant disbursement and key data points collected as part of the grant program.

Thank you for your leadership and partnership in support of the children and families served by EEC. If you or your staff have any questions regarding this report, please contact Addison Koelle, EEC's Legislative Director, at Addison.koelle@mass.gov.

Sincerely,

Amy Kershaw
Acting Commissioner
Department of Early Education and Care