January 3, 2023

Honorable Karen Spilka
Senate President
State House, Room 332
Boston, MA 02133

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

Honorable Ronald Mariano
Speaker of the House of Representatives
State House, Room 356
Boston, MA 02133

Honorable Aaron Michlewitz
Chair, House Committee on Ways & Means
State House, Room 343
Boston, MA 02133

Honorable Bruce Tarr
Senate Minority Leader
State House, Room 308
Boston, MA 02133

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

Honorable Bradley Jones, Jr.
House Minority Leader
State House, Room 124
Boston, MA 02133

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

Dear Senate President Spilka, Speaker Mariano, Leader Tarr, Leader Jones, Chair Rodrigues, Chair Michlewitz, Chair Lewis and Chair Peisch:

I am writing today with an update on several initiatives of the Department of the Early Education and Care ("EEC" or "the Department") as requested by the March 2022 Report of the Legislature's Economic Review Commission ("the Commission"). As you will see in the update below, the Department is making significant progress on many of the recommendations that the Commission included in its first request for updates. I will provide subsequent updates on those recommendations with reporting dates later in the calendar.

Before I provide those specific updates, however, I am very pleased to inform you that just last week EEC learned that Massachusetts has been awarded $36 million in federal funding through the Preschool Development Grant Birth Through Five (PDG B-5). EEC is the lead agency for administration and implementation of the grant, which will provide $12M each year for the next three years to strengthen systems, services and supports for young children and their families.

These new federal funds will accelerate and expand ongoing work across multiple state agencies to better promote educational, health and economic outcomes for our young learners and will provide additional capacity for the Department to address many of the system-development recommendations

included in the Economic Review Commission Report. A specific focus for this round of funding is to develop and promote meaningful and well-supported career pathways and professional development opportunities for the early education and care workforce.

In providing the status updates below, in order to facilitate easy tracking of the Commission's recommendations, I will reference the Commission's focus area and specific recommendation and update requested by October 1, 2022 prior to providing the Department's work on that area to date.

Commission Focus Area 1: Program Stabilization
Recommendation: The Commission recommends that EEC conducts an external evaluation of the implementation and impact of the grant program and ongoing needs of programs for operational support. The evaluation should examine the extent to which the grants address racial and economic equity. Evaluation findings should be used during the fall of 2022 to inform future adjustments to the grant and development of an implementation plan for operational funding moving forward. The plan should address future targeting of funds to programs serving the most vulnerable and additional requirements and accountability measures for grant recipients. The Commission requests that EEC provides the Legislature with an update on the status of this recommendation by October 1, 2022.

Through the FY23 GAA and the FY23 Economic Development bill, the Legislature has appropriated $340M for the costs of continuing the Commonwealth Cares for Children (C3) operational grants in FY23, which enable the grants to continue into April 2023.

The C3 formula by design prioritizes programs serving high-needs children by intentionally directing additional funds to providers in historically marginalized communities and to those serving families receiving child care subsidies.

EEC has contracted with Third Sector Capital Partners to analyze the impact of the grant funding on child care providers, educators and families. The evaluation team uses several metrics to track the extent to which the formula is successful at prioritizing equity by directing additional funds to providers in communities with a high social vulnerability index (SVI) and those serving families receiving child care subsidies, as well as by providing additional funding to providers that offer services requiring higher staffing levels, such as serving infants and toddlers.

The Department remains eager to continue this important funding source for child care providers and will work with the Legislature to understand the data that would be helpful for Third Sector Capital Partners to capture and analyze.

For more information on the impact of the C3 operational grant program please see the presentation to the Board of Early Education and Care at their December 13, 2022 meeting, as well as the recently filed, *C3 Quarterly Report to the Legislature: FY2023 Quarter 1.*

Recommendation: The Commission recommends making permanent a policy that has been implemented during the pandemic to reimburse programs that serve subsidized children based on enrollment versus attendance. Prior to the pandemic, early education and care programs serving subsidized children were

reimbursed based on attendance. Children can be absent for a variety of reasons including illness, whereas most program costs are fixed and need to be covered regardless of whether a child is present during a given day or week. There is also a significant administrative burden to tracking and submitting daily attendance versus quarterly enrollment. Since temporarily implementing this policy change, there appears to have been a stabilizing impact on providers who accept subsidies. Making the policy permeant, could help to keep these providers open for the long term. The Commission requests that EEC provides the Legislature with an update on the status of this recommendation by October 1, 2022.

The Board of Early Education and Care voted on December 13, 2022, to send updated draft Child Care Financial Assistance regulations (most known as "subsidy regulations") out to public comment. Those draft regulations include the change that the Department will reimburse subsidy costs based on enrollment, which is a change from the Department's pre-COVID-19 practice of reimbursing based on attendance. While the draft regulations are out for public comment, the Department is updating its Child Care Financial Assistance Policy Guide to align to the updated regulations and the policy guide will reflect this change.

Focus Area 2: Family Access and Affordability

The Commission recommends that EEC simultaneously move forward with engaging experts to develop a cost estimation model to determine the cost of delivering services at different quality levels and to set appropriate reimbursement rates. The cost modeling will provide critical information about the gaps between current subsidy reimbursement rates and the cost of providing quality care for different ages, regions, and settings. Modeling should inform policy decisions about the necessary level of funding for programs to achieve financial sustainability, equitable workforce compensation and benefits, and provide high-quality care for children. The Commission recognizes that transitioning to rates informed by a cost estimation model may take several years. Once rates reflect the true cost of care, an annual cost of living/inflation adjustment should be incorporated into the reimbursement rate structure. The Commission requests that EEC provides the Legislature with an update on the status of this recommendation by October 1, 2022.

The Board of Early Education and Care voted to implement an $80M increase to the rates paid to subsidized providers at their November 8, 2022 meeting. This historic expansion in funding provides the equivalent of a 10% increase in the daily rates paid to all program types and age groups across all regions of the state. The Department utilized the federally required market rate survey to ensure that the rate increases reached all providers as well as targeted increases to specific regions and age groups so that all the Commonwealth's subsidized providers are at or above the 30th percentile of market rate. EEC continues to work with the Center for Early Learning Funding Equity on a preliminary cost study in order to better understand the drivers of the costs for providers and eventually adjust how rates are set. For more information on the rate increase please see the presentation to the Board of Early Education and Care at their November 8, 2022 meeting as well as the recently filed, *FY23 EEC Rate Increase Report*, that was sent to the Legislature on January 4, 2023.

Recommendation: The Commission recommends initiating an immediate review to reduce or eliminate unnecessary compliance requirements that create barriers to family access and to streamline the subsidy application and determination process, to the extent possible and allowable under federal requirements. The Commission recognizes that it will take some time to conduct this review and operationalize the

findings and that it will be necessary to ensure that EEC has the resources that they need to conduct this work. An external review of Massachusetts' subsidy eligibility policies and practices conducted in 2014 may serve as a helpful foundation for this work. The Commission requests that EEC provides the Legislature with an update on the status of this recommendation by October 1, 2022.

Over the past year, the Department conducted an "end to end" review of the child care financial assistance (subsidy) system to identify areas for improvement and modernization as well as to enhance family access. The foundation for this multi-year and multi-prong reform effort are a revised set of regulations to govern the programs going forward. The Board of Early Education and Care voted on December 13, 2022, to send updated draft Child Care Financial Assistance regulations out to public comment. This updated draft of the "subsidy regulations" removes unnecessary barriers around documentation, translation, in person meetings, and other compliance measures to both improve access for families and better reflect the technology advances since the regulations were first adopted. For more information about the scope of the changes included in the regulation revision package, please see the presentation to the Board of Early Education and Care at their November 8, 2022 meeting.

Focus Area 3: Workforce Compensation, Pipeline and Advancement

Recommendation: The Commission recommends moving forward with multiple efforts to increase compensation to address early education and care workforce recruitment and retention challenges, building off and valuing the efforts of the existing early education and care workforce that has held the system together for the last two years. One of the key findings from the Commission's work is that the level of compensation is currently insufficient to sustain a quality early education and care system and workforce. Therefore, the Commission strongly recommends that workforce compensation be made a top priority for additional funding through ongoing operational grants and increases to subsidy reimbursement rates or a combination of the two (see Recommendations 1 and 3). The Commission requests that EEC provides the Legislature with an update on the status of this recommendation by October 1, 2022.

Recommendation: The Commission believes it is important for compensation levels to be commensurate with credentials and training and to work toward compensation levels that are commensurate with K-12 teachers with equivalent credentials and training when required for the position. Connecting credentials to advancement opportunities and increased compensation will help encourage staff to continue to grow their skills, pursue higher education opportunities, and stay in the field. A career ladder that includes compensation guidelines will help ensure compensation aligns with education and training. It will also be important to develop compensation guidelines for other early education and care staff, such as program directors, which are competitive with the labor market for similar positions in other sectors, though the Commission recognizes this may take time. The compensation scale should be included in the cost estimation modeling. The schedule/timeline for state investment should be phased in and aligned with the compensation scale. The Commission requests that EEC provides the Legislature with an update on the status of this recommendation by October 1, 2022.

EEC is currently working on two parallel but equally important efforts to address early education and care workforce challenges in the immediate and longer term.

To address the urgent recruitment and retention challenges facing early education and care programs across the Commonwealth, and significantly impacting access to child care for working families, the Department is pursuing several critical new initiatives:

- Developing an educator "portal" and outreach campaign to help educators seeking employment and programs seeking employees connect more quickly and efficiently;
- Launching a pilot program to provide child care financial assistance (subsidies) to staff working in early education and care settings;
- Recruiting and supporting new family child care providers into the field with supports for both licensure and business operations; and
- Developing new pipeline pathways to recruit educators to work in center-based programs including apprenticeships, mentorship programs and direct partnerships with employers

Building towards the longer-term system we envision, in collaboration with community colleges, municipalities and other workforce partners, EEC is developing a well-supported and clear career pathway for early educators that will include:

- New credentialing system that recognizes professional skills from novice to expert
- Expanded accessibility of higher education certification to support professional growth; all recognized within the credentialing system
- Competitive salary scales that reflect professional growth
- Financing strategies to support competitive educator compensation

Later this month, the Department will also be posting a Request for Proposal (RFP) for a contracted vendor to finalize the content of the credential and certification process, and support the development of a road map and implementation plan for the career pathways work.

In addition, the Department has been building the capacity at the agency to deliver on this critical work by recruiting and hiring key new leadership positions to develop and oversee the work. Our new Associate Commissioner of Workforce Development will officially start in early January, and in December 2022, we welcomed a new high-level program specialist to focus exclusively on the unique benefits and needs of our family child care providers.

Importantly, as noted elsewhere in this report, the distribution of more than $600M in C3 grants to programs and providers across the Commonwealth has had a notable impact on staff compensation and retention with over 50% of these funds being spent on compensation, benefits or bonuses for staff and educators.[1], Similarly, the $80M rate increase now being implemented with a retroactive date of July 1, 2022 is anticipated to have a direct impact on educator salary and other compensation.

Focus Area: System Infrastructures and Local Partnerships

Recommendation: The Commission recommends additional resources to support state administration and management of new policies, programs, and initiatives, including implementing the recommendations included in this report. These resources may be invested in new efforts to support

[1] Data from July 1, 2021 – September 2022 EEC Semi-Annual surveys of C3 Grant Recipients

operational and technological capacity, improve family navigation of the subsidy system, invest in shared data analytics for public accountability, and to simplify and streamline additional public facing processes. Additional support should be provided to Child Care Resource and Referral agencies and family child care systems that provide critical supports to the system, as well as other intermediaries and contracted providers that support families directly. The Commission requests that EEC provides the Legislature with an update on the status of this recommendation by October 1, 2022.

As noted above, the Board of Early Education and Care recently voted to put the Child Care Financial Assistance regulations out for public comment. At the same time, the Department is in the process of revising its Child Care Financial Assistance Policy Guide and outlining the updates to the IT necessary to implement the draft regulations and updated Policy Guide.

Additionally, as the Commission's report notes, the Commonwealth's Child Care Resource and Referral (CCRRs) agencies play an important role in the Commonwealth in interfacing with families and connecting them with both subsidies and child care options. The Department will be issuing a new bid for resource and referral services to be released in early 2023. Soon after that the Department will be initiating the long-delayed re-procurement of the contracts for child care financial assistance (subsidy), which will include new services and supports for low income working families, families experiencing homelessness, young parents and families with active cases with the Department of Children and Families (DCF). An additional aspect of this procurement will be the Family Child Care Systems, which are critical intermediaries for the Department in supporting our family child care providers.

I appreciate the Legislature's ongoing commitment to the children, families and educators in the early education system of our Commonwealth. I look forward to continuing to work with you to strengthen this system to ensure its quality for our youngest learners and its vibrancy for our economy.

Please reach out to Addison Koelle, EEC's legislative director, at Addison.Koelle@mass.gov, or to me directly with any questions.

Sincerely,



Amy Kershaw
Acting Commissioner