



Commonwealth of Massachusetts Department of Early Education and Care

Board of Early Education & Care

April 11, 2023

Agenda

Routine Business

- Approval of Minutes from March 21, 2023 Meeting – VOTE

Items for Discussion and Action

- Child Care Financial Assistance
 - Approval of Child Care Financial Assistance Regulations for Promulgation – VOTE
- Early Education and Care Cost Research
 - Implications for Child Care Financial Assistance Rates and Structures



1

Child Care Financial Assistance



PROPOSED REGULATION REVISIONS

Priorities & Approach: Regulatory Reform

1. Prioritize family needs and experience



2. Increase Overall System Efficiency



3. Modernize and update system



Create more supports for families and alleviate burdens

Extend timelines to ensure stability of care

Reduce rigidity and increase flexibility for families

Streamline and clarify roles and responsibilities

Reduce documentation burdens

Use more inclusive and accessible language

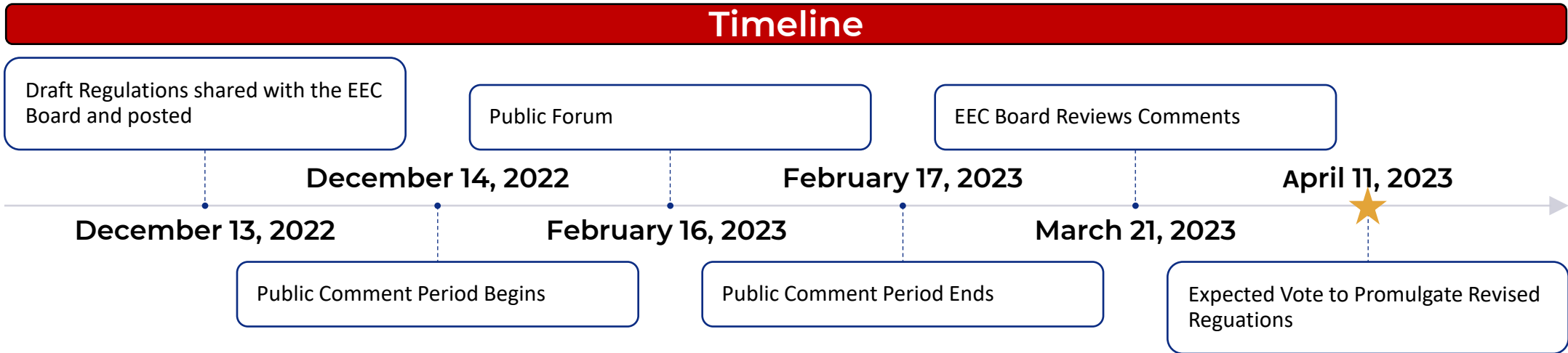
Improve alignment across various regulatory frameworks

Strengthen partnerships with childcare-involved agencies

Evaluate and retain or modify COVID flexibilities

Public Comment Overview

Timeline



Participants



218 People

195 attended the public forum
23 signed onto written comments



40 Comments

24 public forum
16 written



Offered in

English, Spanish,
ASL and Subtitles

Recommendations Adopted from Public Comment



- Further reducing reporting requirements for families
- Broadening scope of acceptable eligibility documentation



- Enabling payment by enrollment for providers



- Expanding review and appeal rights for parents



- Including eligibility for some SNAP recipients
- Clarify educational service need eligibility



- Defining domestic violence as new service need

Child Care Financial Assistance (Subsidy) Proposed Regulations Revisions - VOTE

Pursuant to G.L. c. 15D, § 3, the Board of Early Education and Care (“Board”) shall set policies and establish regulations related to early education and care programs and services.

EEC seeks authority to revise its Financial Assistance for Subsidized Care regulations to increase overall system efficiency; prioritize family needs and experience; and modernize and update the overall child care financial assistance system. In order to be adopted, the proposed amended regulations must be filed with the Secretary of the Commonwealth and published in the Massachusetts Register. Therefore, EEC recommends that the Board authorize the Commissioner of Early Education and Care to file the proposed amended regulations governing Financial Assistance for Subsidized Care, 606 C.M.R. 10, with the Secretary of the Commonwealth for publication in the Massachusetts Register.

MOVED: that the Board of Early Education and Care, in accordance with G.L. c. 15D, § 3(f), having solicited Public Comment as required by G.L. c. 30A, hereby approves 606 CMR 10.00, the proposed amended regulations governing Financial Assistance for Subsidized Care, and authorizes the Commissioner of Early Education and Care to file the proposed amended regulations with Secretary of the Commonwealth for publication in the Massachusetts Register.



2

Early Education and Care Cost Research





CONTEXT FOR MARKET RATE SURVEY AND COST STUDY

Federal Expectations

The federal Child Care Development Block Grant (CCDBG) requires states to conduct a Market Rate Survey (MRS) or alternative methodology to gather data on child care rates every 3 years. In a CCDF plan cycle, findings should inform rate setting to ensure families have equitable access to the child care market.



Historically, the federal Administration for Children and Families (ACF) has guided states to focus on comparing reimbursement rates to market **prices**.

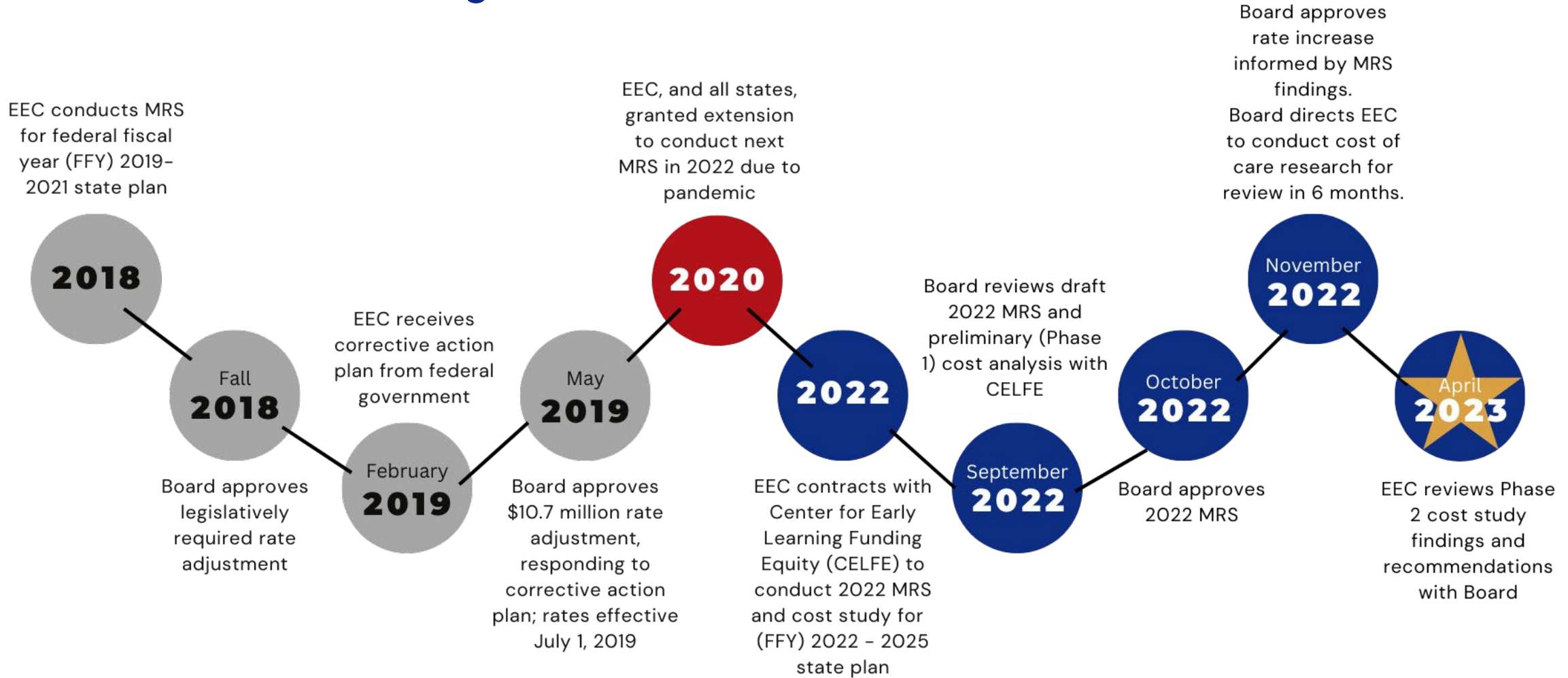
Federal Goal: 75th percentile of market rates



Now, federal regulations also require states to look at the **cost** of providing services.

Federal Goal: Understand the extent subsidy rates cover the cost of care

Market Rate Survey and Cost Analysis: Recent History



2022 Market Rate and Cost Study Scope

1. Examine the extent to which child care financial assistance rates are set at a level that provides families with affordable care and supports sufficient revenue for stable program operations
2. Understand how best to support programs to stabilize finances against normal fluctuations in enrollment and support consistent workforce and quality investments.
3. Gain insight into each of these aspects of the early education and care system by understanding current market rates and program costs.

Phase 1:



Market Rate Survey



Updated Preliminary Cost Analysis

Phase 2:



In-Depth Cost Estimation Study



Identify Target Salaries for Cost Models

2022 Market Rate Survey Findings

- ① Rates as a percentile of the Market Rate
 - The subsidy rates are **below the 75th percentile** in all regions, age groups, and provider types in the Commonwealth. In most cases, they are below the 50th percentile.
- ② Rates as a percentage of the benchmark rate
 - **Subsidy rates were on average 23% lower than the benchmark rate**, with a range across rates of 6% -45% lower than the benchmark rate.
 - *Example:* Preschool rate in the Metro region was \$36.23/day less (36% less) than the 75th percentile rate (\$99.45/day)
- ③ Percentage of providers that serve families receiving child care financial assistance
 - Approximately **60% of providers** reported that they accept child care subsidies.



The Board used these findings as the basis for approving targeted rate increases in November 2022, ensuring all rates at a minimum met or exceeded the 30th percentile of the Market Rate.

FY23 Reimbursement Rate Increase (\$80M)

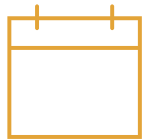
Approved at November 2022 Board Meeting



- 10% “across the board” increase for all **Center-Based programs** by region and age groups (8.5% of which will be distributed as a quality add-on) *and* a targeted increase to bring all base rates to the 30th percentile of market rate.



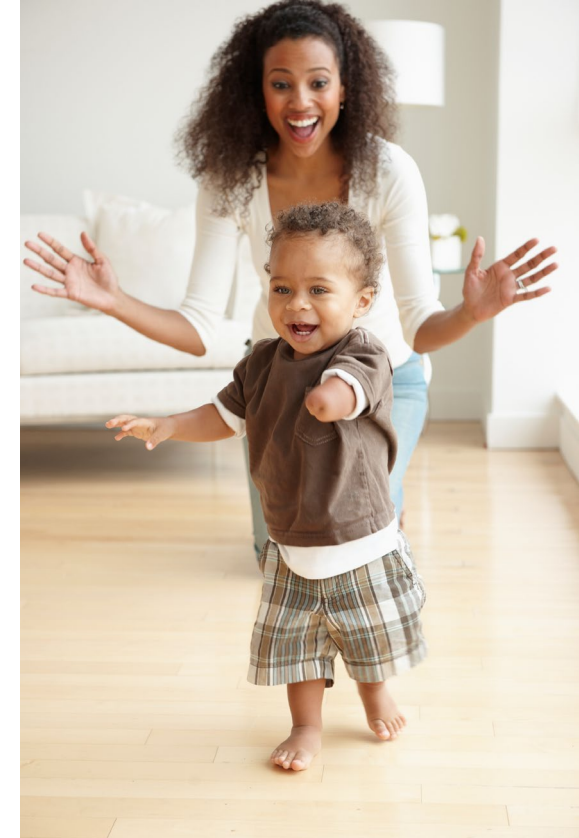
- 10% “across the board” increase for all **FCC provider rates** by region and age groups *and* a targeted rate increase to bring all rates to the 30th percentile of market rate, with implementation subject to union negotiation and identification of funding



- Increased by \$1 the **daily add-on rate** for supportive, young parent and homeless contracts from \$22 to \$23.

Preliminary Cost Study Findings (Phase 1)

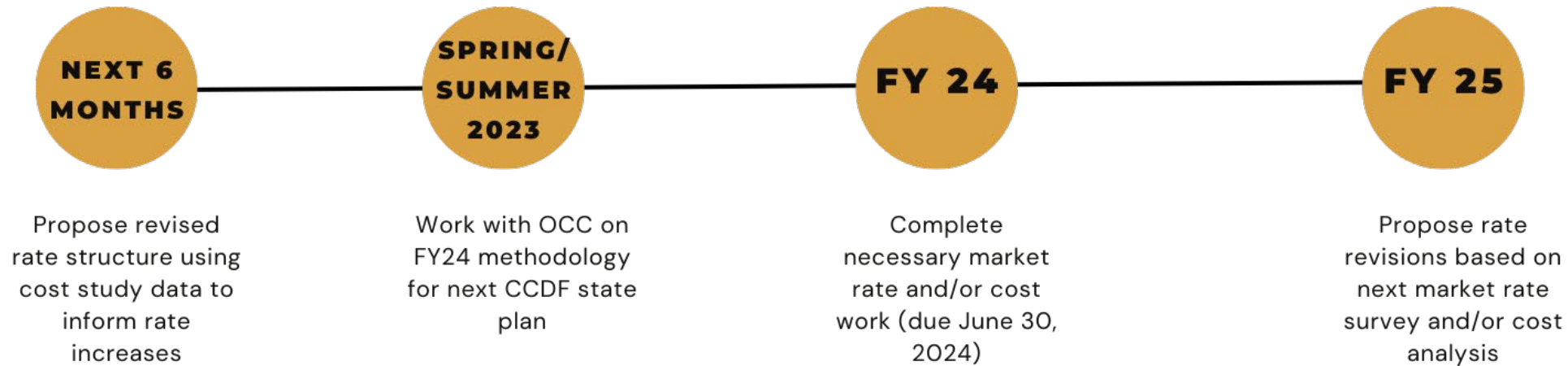
- ① The cost of providing care for infants and toddlers far exceeds the cost for preschool and school-age children.
 - This is driven by the need for infants and toddlers to be cared for in smaller groups, with fewer children per educator
- ② Estimated costs for providing care **did not vary as substantially across geographies** as prices charged for care.
 - Update to this preliminary work looked more closely at variation in salary and occupancy costs across the state to verify this finding
- ③ The extent to which the rates met the preliminary cost estimates varied by region and age group.



Response to 2022 MRS and Preliminary Cost Analysis

In November 2022, the Board directed EEC to develop recommendations and report back within 6 months on both the regional rate structure and further cost analysis to inform future rate setting:

- Review current regional rate structure and make recommendations to the Board within 6 months
- Identify a methodology for future rate setting to inform decisions based on both market rate data and cost information
 - Identify plan to conduct necessary analyses for the next required market rate and/or cost analysis



Phase 2 cost study focuses on more in-depth analysis of costs across the state, including focus on compensation and occupancy costs

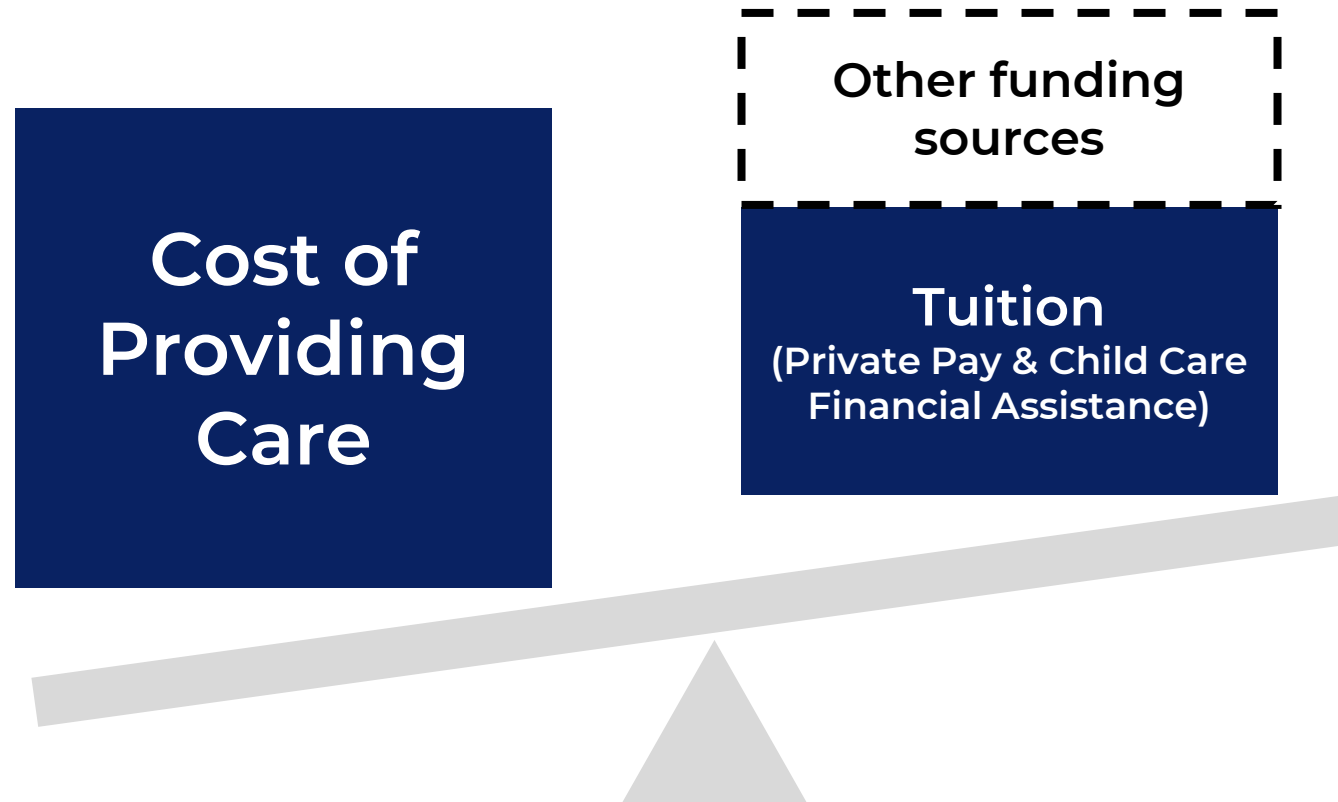


PRESENTATION: EARLY EDUCATION AND CARE PHASE 2 COST STUDY FINDINGS AND RECOMMENDATIONS



DISCUSSION

Understanding Cost is Key to Rate Setting and to Designing an Effective Financing Strategy for Early Education and Care



Parent tuition and child care financial assistance reimbursements together are a critical piece of the overall financing for a program.

Where this alone is unable to cover costs in full, it must be supplemented by other funding sources (including operational grants).

Future uses of cost and revenue information

1

Use cost model to inform ongoing C3 development

Use cost modeling in continued review of C3 program and formula to account for differential in costs vs. rates

2

Use cost data to inform future rate increases

In developing future rates, use cost modeling data to understand economic conditions and enact targeted increases that are reflective of cost

3

Simplify regional rate structure to align with existing regions

Consolidate the existing rate structure to align with EEC regions and more closely reflect economic conditions