

FFY21 Federal Stimulus Funds Plan Addendum

The Massachusetts Department of Early Education and Care (EEC) plans to use the federal stimulus funds as part of a larger set of grants to child care providers to ensure the viability of the industry, while also fostering innovation across the field to meet the evolving needs of working families and employers through COVID recovery period.

In preparation for federal stimulus funds, EEC will begin establishing operational funding to subsidized providers through state funding appropriated to EEC in the FFY21 budget to address the COVID-19 related needs of child care providers. EEC has already begun preparing to distribute this funding with spending mechanisms, data reporting, and community feedback that will support the success of the transformative approach to financing early education and care planned through the Federal Stimulus Funds. The state funded grants to center-based and family child care (FCC) providers will support investments in compensation to the workforce and, in the case of FCCs, capital improvements needed as a result of COVID requirements.

This state investment in child care will also begin to build the structures that will be used to distribute Federal Stimulus Investment funding and stabilize child care operations across the Commonwealth. The following foundational elements developed through state funding distribution will support the plan for Federal Stimulus Funds:

1. Establish a relationship with an intermediary through a state contract to manage grant logistics efficiently and collect data to inform future steps
2. Create reporting accountability for critical data on workforce salaries and operational costs to inform formulas used in the distribution of federal funding

The Federal Stimulus Funds require state appropriation to EEC, and the plan for Massachusetts' distribution has been developed in accordance with the principles of the Common Framework established by the New England consortium. As a foundational payment, Massachusetts intends to allocate 75% of Federal Stimulus Funds to provide a new, supplemental source of operational funding for all EEC-supervised programs in Massachusetts. It will not fully or partially replace any existing sources of public funding. A portion of this allocation will be used to sustain the role of the intermediary to help EEC administer the funding distribution and reporting. The remaining 25% of stimulus funding will be reserved to support operational costs that arise across the system identified throughout the summer and fall, such as establishing child care COVID-19 testing sites, covering parent co-pays for subsidized families, and other unexpected areas that arise.

Massachusetts' plan for distribution of the Federal Stimulus Funds will adhere to the following priorities:

- Make funding available to all EEC-supervised programs in the Commonwealth (6,832 as of February 8th)
- Establish clear expectations around program reporting and accountability for providers
- Identify a formula for distribution that accounts for prioritization across three key areas:

- Program capacity
- Investments in program staff
- Services to priority populations of children and families

EEC is working with Third Sector Capital Partners to further define the formula to be utilized and support appropriate accountability for stabilizing grants targeted to preserving the remaining child care capacity. This will include robust engagement with stakeholders to inform the specific structures of the formula across these three dimensions, in order to efficiently and effectively develop a payment mechanism that can support operational stabilization of the child care industry. Initial stakeholder discussions will focus on identifying the program characteristics that should guide the formula and the level of investment that will be sufficient to meet the goal of stabilization. Third Sector Capital Partners has developed a financial modeling tool in collaboration with EEC that will illuminate the implications of different decisions regarding funding structures to inform decisions.

EEC expects to be ready to distribute the funds in accordance with the budget appropriation process, and plans to allocate funds in monthly payments to providers for a minimum of 5 months potentially beginning as soon as May 2021. Size of the grants will vary based on the final formula determined by EEC, but will be designed to cover a minimum of 10% of a program's projected operating costs based on size and accounting for increased salary investments during COVID.

For up to date information on the formula, distribution, and the planning, please contact EEC.

Direct Child Care Services (Subsidies)

Although EEC does not plan to provide direct child care supports, the funds are designed to sustain the operations and improve the quality and responsiveness of the Commonwealth's early education and care system, with the ability to target larger funding amounts to programs serving families with specific needs, such as the categories detailed below. EEC is looking at accountability requirements that incentivize improved affordability for families.

Implementation of Virus Mitigation Policies and Practices

EEC has developed and continues to update guidance to providers around health and safety practices in line with guidance from local health departments and the Centers for Disease Control and Prevention (CDC). These protocols have increased operational costs for programs to forgo usual practices of combining classrooms, for example, and have increased the operational burden to businesses managing very tight budgets. The 75% of funding being used to provide stabilization grants will help address the increased cost of meeting virus mitigation protocols and practices currently in place in Massachusetts.

EEC has also created a centralized system for providers to order health and safety supplies, subsidized by the state through operational reserve funds, as well as a testing system for COVID, with locations dedicated to child care families and workers in every region with rapid response times and no-wait services. Some of the funds will be used to continue to fund these types of supports for providers through the summer and fall.

Grants or Assistance (Other than Subsidies) to Stabilize Child Care Providers

Operating expenses will be allowable uses of the federal stimulus funds, including covering increased expenses that have resulted from the COVID-19 public health emergency.

Assistance to Providers Not Participating in the Subsidy System Prior to the Pandemic

EEC plans to make funds available to all supervised providers, regardless of subsidy participation, through a formula approach to distribution.

Other

Another spending priority for EEC is ensuring the federal funds support increased investment in program educational staff, including improving staff compensation and hiring of additional staff to improve ratios, given the overwhelming burden this pandemic has put on our early education and care workforce.

Sincerely,

A handwritten signature in black ink, appearing to read "Samantha L. Aigner-Treworgy". The signature is fluid and cursive, written in a professional style.

Samantha L. Aigner-Treworgy
Commissioner
Department of Early Education and Care