**To:** James Peyser, Secretary, Executive Office of Education

**From:**  Nonie Lesaux, Chair, on behalf of the Board of Early Education and Care

**Date:** November 8, 2022

**Subject:** Fiscal Year 2024 Budget Priorities for the Department of Early Education and Care

Early education and care is essential as children, working families, and the economy continue to recover from the economic impacts associated with the pandemic. Even prior to the pandemic, the system was fragile – programs struggled to balance affordability for families with sufficient wages for staff and investment in quality initiatives. The pandemic profoundly disrupted what was already a precarious balance requiring new and creative resources to keep programs open, stabilize the system, and enable parents to go to or return to work.

While the capacity of the early education and care sector is rebounding and enrollment is beginning to stabilize, a significant number of programs report closed classrooms and/or are operating under capacity due to a workforce shortage of educators and providers.

Included in this memo are the Board of Early Education and Care’s recommended investments for consideration in the development of the state’s Fiscal Year 2024 budget. These recommendations align closely with the strategic areas of focus in the agency’s Strategic Action Plan and build on the lessons learned from pandemic-related reforms and investments, including the Commonwealth Care for Children (C3) grant program. These recommendations also aim to leverage the shared commitment of the Board, the agency, and stakeholders across the Commonwealth to build towards a more stable, accessible, equitable and affordable early education and care system.

**Strategic Area of Focus: Children, Youth, and Families**

**Support Family Economic Mobility by Expanding Access to Child Care Financial Assistance (Subsidy)**

EEC is working towards a child care financial assistance (subsidy) system that is family centered, evidence-based, and maximizes access to services through streamlined policies and procedures as well as new and enhanced technology. Launched in late FY22 and continuing through FY23, EEC is in the midst of an end-to-end review of the current system to identify opportunities for greater efficiency, transparency, and dignity for the families and children we serve. EEC also expects this review and the resulting reforms to lead to improvements in the experience of providers serving subsidized children, ultimately making it easier for these providers to interface with EEC.

While EEC works to improve the system and experience for existing families and service providers, the Board recognizes that many currently eligible families are still unable to access these essential services. While work is underway to improve the accuracy and usefulness of the current waitlist, and to help develop a more transparent and modern waitlist system, the number of families currently counted as awaiting access to a subsidy has increased to nearly 20,000, from about 16,000 six months ago.

In order to serve additional families in need, the Board recommends that additional funds be appropriated to serve Income Eligible families as well as families involved with DCF and DTA. By the end of FY23, the Department is projecting a 9% increase across the child care financial assistance caseloads and seeks adequate funding to sustain this growth level through FY24.

**Reform and Update the Child Care Financial Assistance (Subsidy) Rate Structure**

The Department’s 2022 Market Rate Survey and Preliminary Cost Analysis reveals that subsidy rates currently fall well below program costs needed to provide care. Based on the findings from that report, EEC will work on a revised structure that considers both existing market rate and cost study findings to promote expanded access for families and stable funding for programs serving subsidized families.

**Strategic Area of Focus: Educators**

**Workforce Strategy funded through Early Education and Care Trust**

In the state’s FY23 GAA, the Legislature created a $175 million High-Quality Early Education & Care Affordability Fund, which is intended to fund initiatives that promote a high-quality early education and care system in Massachusetts. This funding provides a pivotal opportunity for the Commonwealth to make meaningful progress in shoring up the early education sector’s workforce with investments in immediate, short-, and long-term workforce development innovations. The Board of Early Education and Care recently initiated a Workforce Working Group whose recommendations, paired with insights from the agency’s Workforce Council and key legislative partners, will help to inform a thoughtful strategy around which funds from the Trust Fund can be allocated, such as:

* Reducing barriers to quick hiring and supporting recruitment;
* Creating strong pathways to qualified teacher and director roles;
* Supporting programs in providing competitive compensation and strong job quality;
* Providing leadership and business coaching support for providers as small businesses;
* Supporting new family child care providers in opening and finding success, including home ownership and business training

**Prioritize Access to Child Care Financial Assistance (Subsidy) Early Educator & Care Staff**

Early education and care providers continue to face significant challenges in hiring and retaining staff. The child care staffing crisis has become so significant that many programs have had to close at least one classroom due to insufficient staffing. While many recruitment strategies rightly look for opportunities to increase the low wages for child care providers, EEC data also indicates that benefits packages that address working conditions also play a significant role in hiring and staff retention. One strategy the agency has begun to explore is supporting access to child care for providers who have children of their own. Covering the cost of child care could entice some individuals back to work if they previously left the field to work in higher paying industries.

The FY23 budget included an initial investment of $10 million to pilot this initiative.

**Strategic Area of Focus: Programs**

**Continuation of Commonwealth Cares for Children (C3)**

The Board is committed to working with the Department to continue C3 funding as a broad-based financial support for the early education and care field to ensure programmatic stability and to support the financial viability of the field in the future. Data collected since the implementation of C3 shows that this funding plays an essential role in program finances while also providing critical supports for workforce recruitment and retention efforts. While current data trends suggest program enrollments are stabilizing, programs continue to invest the majority of C3 grant funds in staff compensation and other core operational costs and identify these funds as a means of addressing long standing market failures in supporting the early education and care financing model. As a result, the Board proposes to maintain the current C3 funding level, grant structure and allocation formula through FY24 with an enhanced focus on encouraging and supporting programs’ investment in workforce development, compensation, and quality. The Board is also committed to using FY24 to continue to learn from and report on the efficacy of this financing strategy in supporting workforce retention, quality programming and affordability for all families.

**Family Child Care Homeownership & Improvement Program**

Since 2013, EEC has administered Early Education and Out of School Time Grants, in partnership with CEDAC, that provides critical capital funding to non-profit center-based early education and out-of-school time providers to support major renovations and construction projects to expand capacity and improve the quality of learning environments for children.

Continuation of EEOST grants is critical for center-based providers; however, due to statutory language, family child care (FCC) providers are not eligible for them. In order to support the continued growth of family child care providers and continued improvement in the spaces that children and staff play, learn, and work, the Board is recommending that the Administration establish a dedicated pool of funding, administered in partnership with MassHousing, for FCC programs that would provide critical capital support to family child care programs to create or expand capacity, while also establishing increased financial security for providers

**Early Education and Care Program Safety aligned with School Safety Initiatives**

EEC-licensed child care programs provide care to nearly 200,000 children on any given day, and those children’s health and wellness is among the top priorities for programs. While programs have emergency preparedness plans in place, the Department and the Board have heard from the program leaders across the state that more resources, training, and expertise would be valuable as programs are deeply committed to ensuring children are safe and well-cared for in the event of any emergency. Accordingly, the Board recommends that the Administration considers allocating specific funding for school safety initiatives that meet the unique needs of the early education sector, including, but not limited to, funding for infrastructure upgrades and training opportunities to support programs in modernizing their facilities and emergency preparedness plans.

The Board further recommends that the Administration take meaningful steps towards providing these programs with the critical resources needed to not only upgrade and modernize their safety and security systems but also to plan, prepare, and practice for various emergency scenarios based on the unique needs of young learners and the early educators who work with them

**Incentivizing Innovation**

As the Commonwealth continues to rebound from the impacts associated with pandemic, it is abundantly clear that child care is the backbone of our state’s economy. Working families rely on accessible care that can meet their needs as the pandemic has shifted work schedules and increased demand for alternative care models. The early education field has been on the front lines responding to that need. In order to learn from providers’ experiences and leverage the innovative thinking that programs are employing to meet family’ needs, the Board recommends that the Administration create an innovation fund, which would serve as incubator funding to pilot new models and approaches to child care that can improve family access as more and more parents and caregivers are working dynamic, non-traditional hours in any given week.

**Strategic Area of Focus: State System**

**Agency Capacity to Respond to Challenges & Opportunities Now and in the Future**

In recent fiscal years, EEC has seen its annual appropriation increase year over year, with the agency’s FY23 appropriation reflecting a 28% increase over the previous fiscal year. As the agency’s appropriation grows as it continues to provide vital supports for the field and address the persistent challenges the early education and care sector continues to face, it is imperative that EEC’s staffing levels keep proportional pace to efficiently leverage and maximize the impact of increased funding and deliver on key agency priorities, including goals established in the agency’s Strategic Action Plan and in new areas of innovation. To this end, in FY22 and FY23 EEC embarked on a robust effort to restructure and increase internal capacity, hiring approximately 25 new employees connected directly to priority work at the agency and creating two new divisions – the Family Access and Engagement Division and the Research and Policy Division.

The Board recommends continued investment in the agency’s ongoing effort to modernize its IT systems to deliver improved user experiences for EEC’s staff and the families and providers the agency serves. While much of this work is focused on the user experiences that the agency serves in the field, the agency has been committed and is making progress towards identifying and pursuing increased efficiencies in its internal IT systems to streamline and simplify business processes, wherever possible.

Taken together, investing in the people-power of the agency and ongoing IT modernization efforts at the same time will provide a strong foundation for the agency to continue to execute on its mission, provide critical supports to the field, and improve access to care for families across the Commonwealth.