



Commonwealth of Massachusetts Department of Early Education and Care

Board of Early Education & Care – January Meeting

January 10, 2024

Agenda

Routine Business

- Approval of Minutes from December 10, 2023 Meeting – VOTE

Items for Discussion and Action

- FY24 Child Care Facility Investment Planning Updates
 - Early Education and Out-of-School Time (EOST) Capital Fund Regulation Revisions – VOTE
- Child Care Financial Assistance
 - FY24 Reimbursement Rate Increases and Proposed Reforms – VOTE
- Commonwealth Cares for Children (C3) Updates

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1

FY24 Child Care Facility Investment Planning Updates

FY24 Child Care Facility Investment Planning

EEC will use both EOST funds (provided through the state's Capital Investment Plan) and FY24 budget funds (provided through "Fair Share") to:

- Support broadly accessible smaller scale grants for center-based programs;
- Return to making larger scale grants available for non-profit center-based projects; and
- Develop a strategy and partnership(s) to support facility investment for family child care programs.

Center-based Small Grant

EOST (Non-Profit) & EECPCG (For-Profit)

To support security upgrades and other smaller facility improvement projects ranging from \$200,000 to \$500,000

- November 9, 2023 Posted to COMMBUYS
- November 28 & 30, 2023 Information Sessions
- **January 23, 2024 Applications Due**

Center-based Large Grant

EOST (Non-Profit)

Bringing back funding to support larger projects ranging from \$500,000 - \$1,000,000

- December 20, 2023 Posted to COMMBUYS
- January 9 & 11, 2024 Information sessions
- February 1, 2024 Pre-applications due

Organizations invited to submit a full application by **11:59PM EST on May 2, 2024.**

Family Child Care Capital Grants

Reviewing responses to the Request for Information (RFI) from organizations with experience supporting FCCs who could partner with EEC to support an FCC capital grant program.

Coming Soon

Eligible organizations will be required to maintain 50% of slots in the facility to serve low-income families who are eligible for public subsidy.

Proposed Regulatory Adjustments to Support Hybrid EEOST Capital Fund Grant Awards

Regulatory action is required to continue to administer the smaller grants for this EEOST grant round, as well as the flexibility to administer both large and small grants on a permanent basis.

Today EEC seeks Board approval of the following regulatory amendments that:

- Allow the Commissioner to shorten the length of time of an EEOST grant to be less burdensome for the smaller grant awards. 606 CMR 15.04(2)(c)
- Allow the Commissioner to adjust grant recapture terms to reflect the shorter length of the grants, where applicable. 606 CMR 15.04(2)(d)
- Allow the Commissioner to waive the requirements for a recorded Mortgage Lien and Land Use Restriction against the property on which the capital improvements are being made for the smaller grant awardees. 606 CMR 15.04(2)(e) and (f)

Vote: 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 15.00, the proposed amended regulations governing the Early Education and Out of School Time Capital Fund Program; **and**, the Board also 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 as 606 CMR 15.00, in accordance with G.L. c. 30A.

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Child Care Financial Assistance - FY24 Reimbursement Rate Increases and Proposed Reforms

Child Care Financial Assistance Reimbursement Rates

EEC reimburses early education and out-of-school time programs that serve families receiving EEC child care financial assistance with a daily per child reimbursement rate.

These rates subsidize costs and provide purchasing power for families receiving child care financial assistance.

EEC's daily reimbursement rate for child care financial assistance is based on multiple factors including:

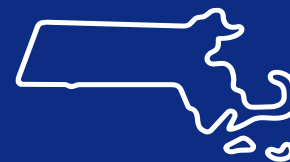
Program Type



Child's Age



Location of Care



Type of Care



FY24 & Beyond: Strategy for Rate Increases and Reforms



Recognize Rising Operational Costs

- Use portion of funds for cost-of-living-adjustments (COLA)



Use Cost-Informed Approach to Simplify Rate Structure and Address Geographic Inequity

- Consolidation of rates for regions that are similar according to cost data and other economic indicators
- Make progress toward rates covering the cost of care by region, provider type, and age



Progress toward Federal Market Rate Benchmark

- Ensure significant movement toward rates meeting or exceeding 50th percentile of market rate by region, provider type, and age



Support Quality Investments

- Integrate quality funding into base rates

Considerations for Consolidating Rates

- Consolidating rates is a tool to **(a) align rates between regions** that are substantially similar across key economic indicators and **(b) simplify the rate structure**
- Economic analysis of EEC's six subsidy regions indicates:
 - Western, Central, and Southeastern Massachusetts (Regions 1, 2, and 5) are substantially similar
 - Metro and Metro Boston (Regions 4 and 6) are substantially similar
 - Northeastern Massachusetts (Region 3) is the largest EEC region and falls between Regions 1/2/5 and Regions 4/6 on key economic indicators
- When consolidating rates, **regions with the lowest rates in their group receive the largest increases** once consolidated, in order to match the rates of the other regions in their group
- The cost associated with consolidating rates (raising lower rates to align with higher rates in the group) means that **increased consolidation results in less** available funding for **“COLA” rate increases or targeted increases to further address cost of care**

FY24 Rate Increase Funding

FY24 Rate Increase Funding
\$65M Total (across 3 separate line-items)

1596-2434 -- \$25M

Line-item language restricts funds to center-based care only.

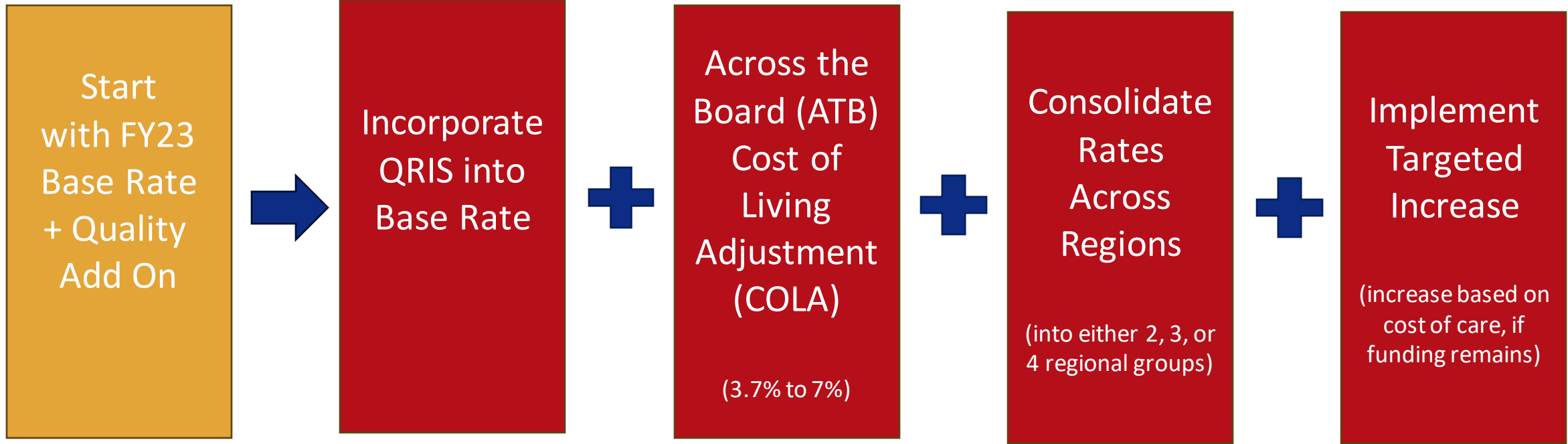
3000-1041 -- \$20M

Line-item language does not restrict funds to specific type of care.

3000-1042 -- \$20M

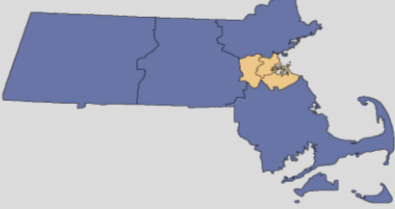
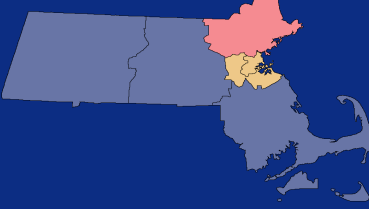
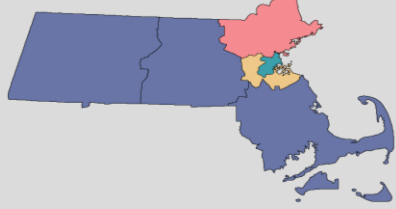
Line-item language restricts funds to center-based care only.

Sequence of Calculations



Review of Rate Increase Options & Agency Recommendation

Review of Options

	Two Rates	Three Rates	Four Rates
			
Estimated Total Cost	\$64.8M	\$65M (CBC:\$45M) (FCC:\$20M)	\$64.5M
Cost-of-living Adjustment (COLA)	3.7%	5.5%	7%
Consolidation	2 rates	3 rates	4 rates
Targeted Increase	None	Raise center-based rates to at least 81% of cost of care (not applicable for FCCs)	None

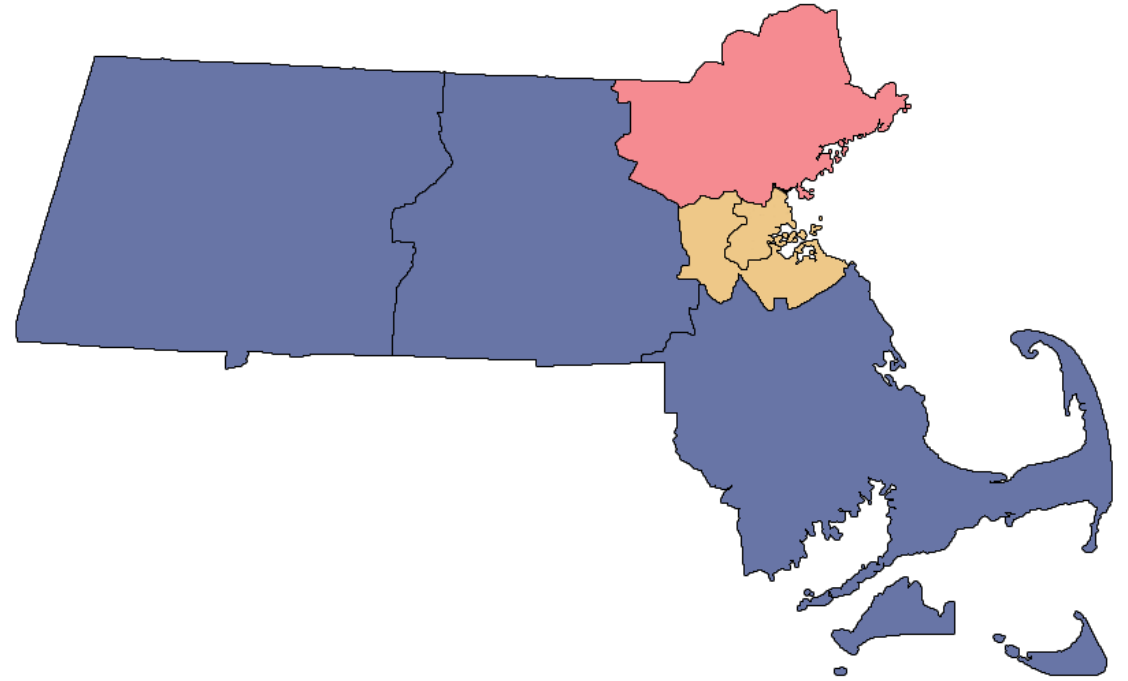
Recommended Three Rate Option – Variables & Considerations

Variables

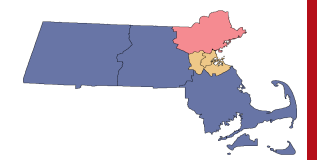
- Apply a 5.5% across-the-board COLA
- Consolidate Metro & Metro Boston
- Consolidate Western, Central, and Southeast
- Northeast remains separate
- Increase consolidated rates for center-based care to 81% of the highest cost of care in the group (no further targeted increase for FCCs due to \$20M cap)

Considerations

- **89% of rates are at or above the 50th percentile** of market rate (rates below 50th: 2 preschool and 2 FCC over 2 rates)
- **44% of rates are at or above full cost of care.** The lowest % of cost of care **moves from 56% to 72%**
- **\$65M** is the estimated cost

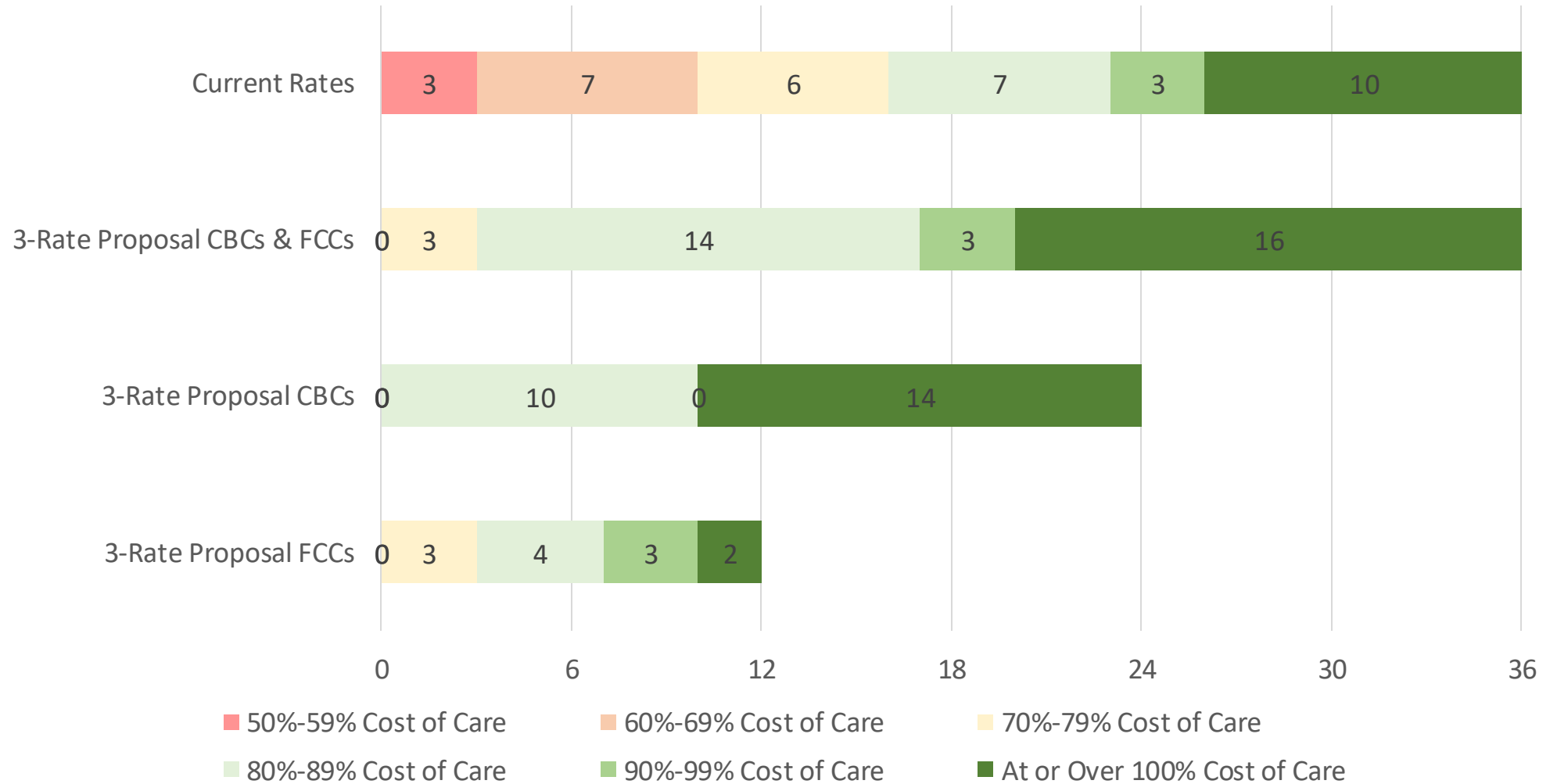
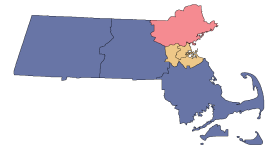


Three Rates: Progress Towards 50th Percentile of Market Rate

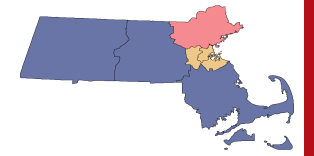


	Infant	Toddler	Preschool	School Age	FCC Under 2*	FCC Over 2*
Region 1 (Western)	Yes	Yes	Yes	Yes	Yes	Yes
Region 2 (Central)	Yes	Yes	Yes	Yes	Yes	Yes
Region 3 (Northeast)	Yes	Yes	46 th percentile	Yes	Yes	Yes
Region 4 (Metro)	Yes	Yes	46 th percentile	Yes	Yes	33 rd percentile
Region 5 (Southeast)	Yes	Yes	Yes	Yes	Yes	38 th percentile
Region 6 (Metro Boston)	Yes	Yes	Yes	Yes	Yes	Yes

Cost of Care Distribution in the 3-Rate Option



Three Rates: Percent Increase Year Over Year



Center-Based Infant

Region	FY22 Base Rate	FY23 Base Rate + Quality Add On	YOY Change (FY22 Base to FY23 + Quality Add On)	FY24 Proposed Rate	YOY Change FY23-FY24*	FY22 - FY24 % Change
Region 1- Western	\$65.71	\$72.37	10.1%	\$97.18	34.3%	47.9%
Region 2- Central	\$67.51	\$75.95	12.5%	\$97.18	28.0%	44.0%
Region 3- Northeast	\$79.40	\$89.51	12.7%	\$102.07	14.0%	28.5%
Region 4- Metro	\$90.41	\$110.24	21.9%	\$119.52	8.4%	32.2%
Region 5- Southeast	\$65.71	\$72.37	10.1%	\$97.18	34.3%	47.9%
Region 6- Metro Boston	\$85.68	\$105.25	22.8%	\$119.52	13.6%	39.5%

Center-Based Toddler

Region	FY22 Base Rate	FY23 Base Rate + Quality Add On	YOY Change (FY22 Base to FY23 + Quality Add On)	FY24 Proposed Rate	YOY Change FY23-FY24*	FY22 - FY24 % Change
Region 1- Western	\$60.26	\$66.36	10.1%	\$75.48	13.7%	25.3%
Region 2- Central	\$61.65	\$68.36	10.9%	\$75.48	10.4%	22.4%
Region 3- Northeast	\$69.05	\$78.12	13.1%	\$84.70	8.4%	22.7%
Region 4- Metro	\$82.08	\$100.04	21.9%	\$108.46	8.4%	32.1%
Region 5- Southeast	\$61.65	\$67.89	10.1%	\$75.48	11.2%	22.4%
Region 6- Metro Boston	\$79.86	\$93.20	16.7%	\$108.46	16.4%	35.8%

Center-Based Preschool

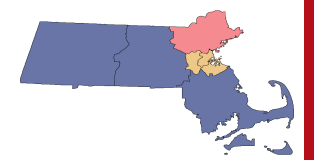
Region	FY22 Base Rate	FY23 Base Rate + Quality Add On	YOY Change (FY22 Base to FY23 + Quality Add On)	FY24 Proposed Rate	YOY Change FY23-FY24*	FY22 - FY24 % Change
Region 1- Western	\$45.82	\$50.46	10.1%	\$57.23	13.4%	24.9%
Region 2- Central	\$48.81	\$54.25	11.1%	\$57.23	5.5%	17.3%
Region 3- Northeast	\$49.91	\$54.97	10.1%	\$57.99	5.5%	16.2%
Region 4- Metro	\$63.22	\$75.95	20.1%	\$80.13	5.5%	26.7%
Region 5- Southeast	\$47.03	\$51.80	10.1%	\$57.23	10.5%	21.7%
Region 6- Metro Boston	\$50.37	\$73.78	46.5%	\$80.13	8.6%	59.1%

Center-Based School Age

Region	FY22 Base Rate	FY23 Base Rate + Quality Add On	YOY Change (FY22 Base to FY23 + Quality Add On)	FY24 Proposed Rate	YOY Change FY23-FY24*	FY22 - FY24 % Change
Region 1- Western	\$42.13	\$46.39	10.1%	\$48.96	5.5%	16.2%
Region 2- Central	\$42.14	\$46.41	10.1%	\$48.96	5.5%	16.2%
Region 3- Northeast	\$43.57	\$47.98	10.1%	\$50.62	5.5%	16.2%
Region 4- Metro	\$44.79	\$49.32	10.1%	\$52.03	5.5%	16.2%
Region 5- Southeast	\$42.14	\$46.41	10.1%	\$48.96	5.5%	16.2%
Region 6- Metro Boston	\$44.79	\$49.32	10.1%	\$52.03	5.5%	16.2%

For programs that were receiving the QRIS Infant-Toddler Add-On, the FY23-FY24 % change will be slightly lower.

Three Rates: Percent Increase Year Over Year



FCC Under 2

Region	FY22 Base Rate	FY23 Base Rate	YOY Change (FY22 to FY23)	FY24 Proposed Rate	YOY Change FY23-FY24*	FY22 - FY24 % Change
Region 1- Western	\$42.79	\$47.07	10.0%	\$58.45	24.2%	36.6%
Region 2- Central	\$48.90	\$53.79	10.0%	\$58.45	8.7%	19.5%
Region 3- Northeast	\$48.90	\$53.79	10.0%	\$58.45	8.7%	19.5%
Region 4- Metro	\$73.34	\$80.67	10.0%	\$87.66	8.7%	19.5%
Region 5- Southeast	\$48.90	\$53.79	10.0%	\$58.45	8.7%	19.5%
Region 6- Metro Boston	\$55.00	\$60.50	10.0%	\$87.66	44.9%	59.4%

FCC 2 & Over

Region	FY22 Base Rate	FY23 Base Rate	YOY Change (FY22 to FY23)	FY24 Proposed Rate	YOY Change FY23-FY24*	FY22 - FY24 % Change
Region 1- Western	\$36.89	\$40.58	10.0%	\$48.90	20.5%	32.6%
Region 2- Central	\$38.83	\$42.71	10.0%	\$48.90	14.5%	25.9%
Region 3- Northeast	\$38.90	\$42.79	10.0%	\$46.50	8.7%	19.5%
Region 4- Metro	\$44.38	\$50.00	12.7%	\$54.33	8.7%	22.4%
Region 5- Southeast	\$38.83	\$45.00	15.9%	\$48.90	8.7%	25.9%
Region 6- Metro Boston	\$39.94	\$43.93	10.0%	\$54.33	23.7%	36.0%

For programs that were receiving the QRIS Infant-Toddler Add-On, the FY23-FY24 % change will be slightly lower.

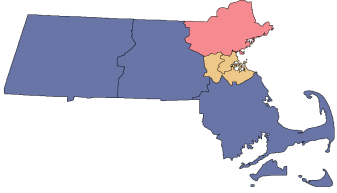
Additional Reimbursement Rate Recommendations

- Increase add-on rates for supportive, young parent, and homeless reimbursements by \$1 to \$24 per day

All Regions	Supportive	Young Parent	Homeless
FY23	\$23.00	\$23.00	\$23.00
FY24	\$24.00	\$24.00	\$24.00

- Adjust FCC system administrative (admin) rates to be consistent with recommended consolidation to 3 rates:
 - The COLA is applied before consolidation.
 - The system admin rate would then be raised to match the highest system admin rate in the new consolidated group.

Summary of Recommendation



	Three Rates	
	Center-Based	Family Child Care*
Estimated Cost	\$45M	\$20M
COLA	5.5%	5.5%
Targeted Increase	Raise center-based to 81% cost of care	Not applicable
50th Percentile of MRS	92% of rates are at or above the 50 th percentile	83% of rates are at or above the 50 th percentile
Cost of Care	Lowest % of cost of care moves from 56% to 81%	Lowest % of cost of care moves from 60% to 72%

* Implementation subject to union negotiation

Potential Future Directions (Beyond FY24)

- Refine cost of care models and continue to examine both current and higher levels of staff compensation, professional supports, and other quality investments
 - In future years, continue to address disparities and inequities for different age groups, regions, and/or provider types.
- Examine rate structure for family child care, school age, and informal care (known as family, friend and neighbor care or FFN)
- Study additional consolidation and regional alignment

Child Care Financial Assistance (Subsidy) Rate Increase Proposal - VOTE

To comply with FY24 line-item language, federal rate reimbursement, and family access requirements, and to continue much needed support and financial stability to early education and care providers across the state, the Board of Early Education and Care hereby directs the Department to implement the FY24 rate increase for providers of subsidized early education and care as follows:

- 5.5% “across the board” increase for all Center-Based rates by region and age groups as well as increase all rates to at least 81% of the cost of care
- 5.5% “across the board” increase for all FCC rates by region and age groups with implementation subject to union negotiation
- Consolidate to three rates to (a) align rates among regions that are substantially similar across key economic indicators and (b) simplify the rate structure:
 - Metro & Metro Boston
 - Northeast
 - Western, Central & Southeast
- Increase by \$1 the daily add-on rate for supportive, young parent and homeless contracts from \$23 to \$24

The target implementation date for making these rate increases available to subsidized child care providers is February 2024 for January 2024 billing, with all rate increases retroactive to July 1, 2023.

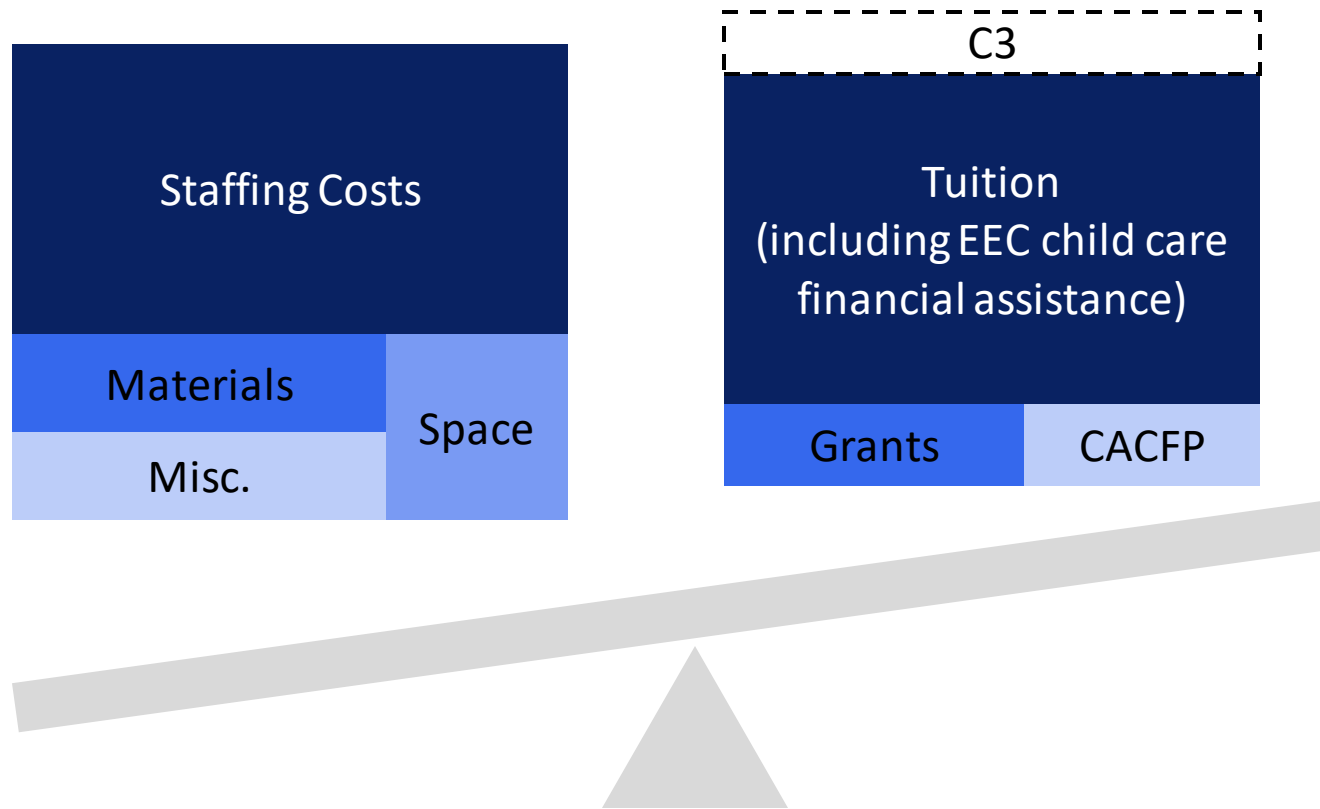
Vote: The Board of Early Education and Care hereby approves the Department’s recommendations for implementing FY24 child care financial assistance rate increases.



3

Commonwealth Cares for Children (C3) Updates

C3 funds play a key role in supporting the early education and care market.



In a functioning market, revenues are expected to be greater than costs, allowing for reasonable reserves and opportunities for reinvestments.

- Child care revenue comes largely from tuition, whether in the form of parent fees or child care financial assistance from EEC.
- Data from C3 grantees points to ongoing challenges in balancing costs associated with workforce retention with affordability for families.
- C3 helps programs mitigate the need for tuition/fee increases in the face of significant rising costs, benefiting a broad range of working families.

As of the most recent C3 survey, 1,161 providers report they would close without C3 funds.

Fall 2023 C3 Survey Overview

In October, EEC launched the fifth in a series of surveys to gather additional information about programs' use of C3 grant funds, ongoing financial needs, investments in educators, and services provided to families.

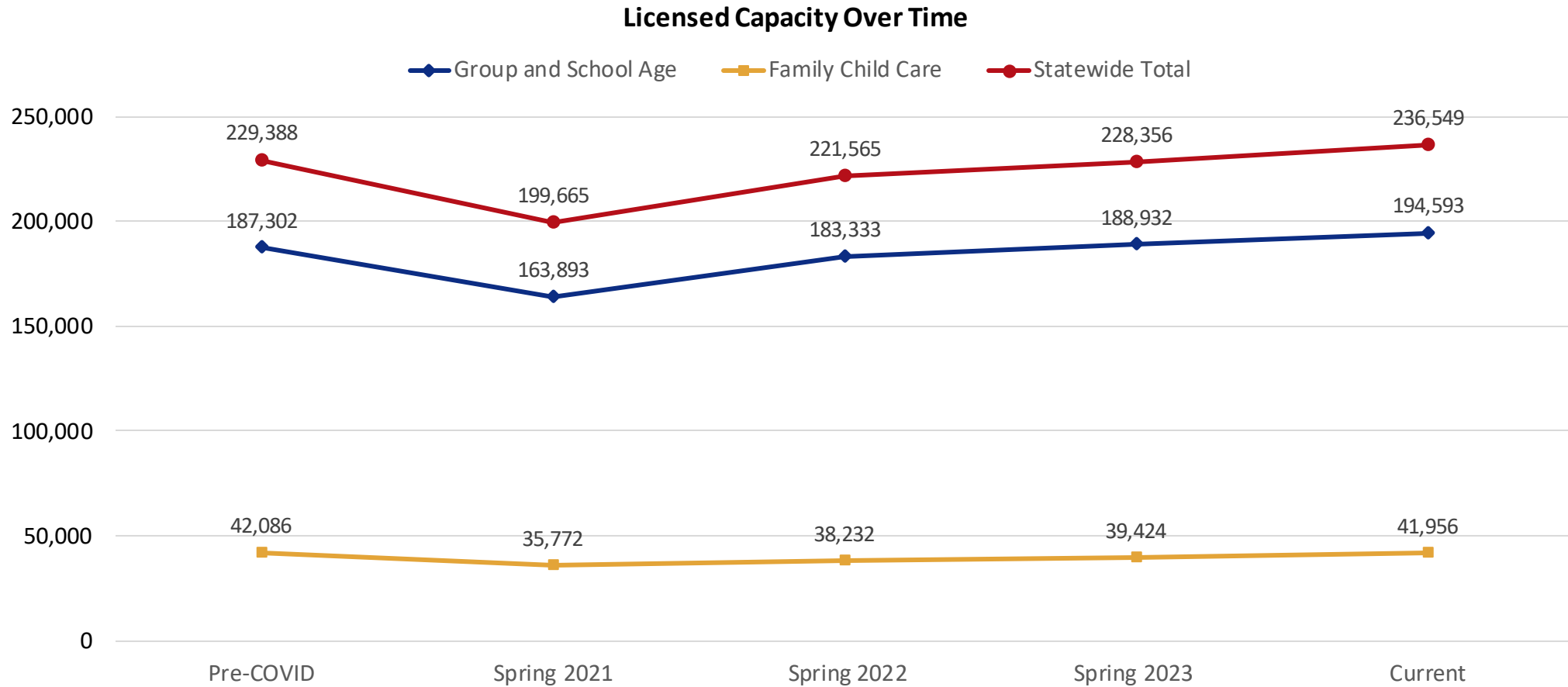
The fall survey launched on October 31, and providers were required to complete the survey when they applied for their December monthly C3 grant.

This analysis includes responses from 6,864 providers (84%) that completed the survey prior to January 1, 2024. Respondents include:

- 2,468 GSA programs (84%)
- 4,396 FCC programs (85%)
- 4,291 programs (92%) that serve children with subsidies*

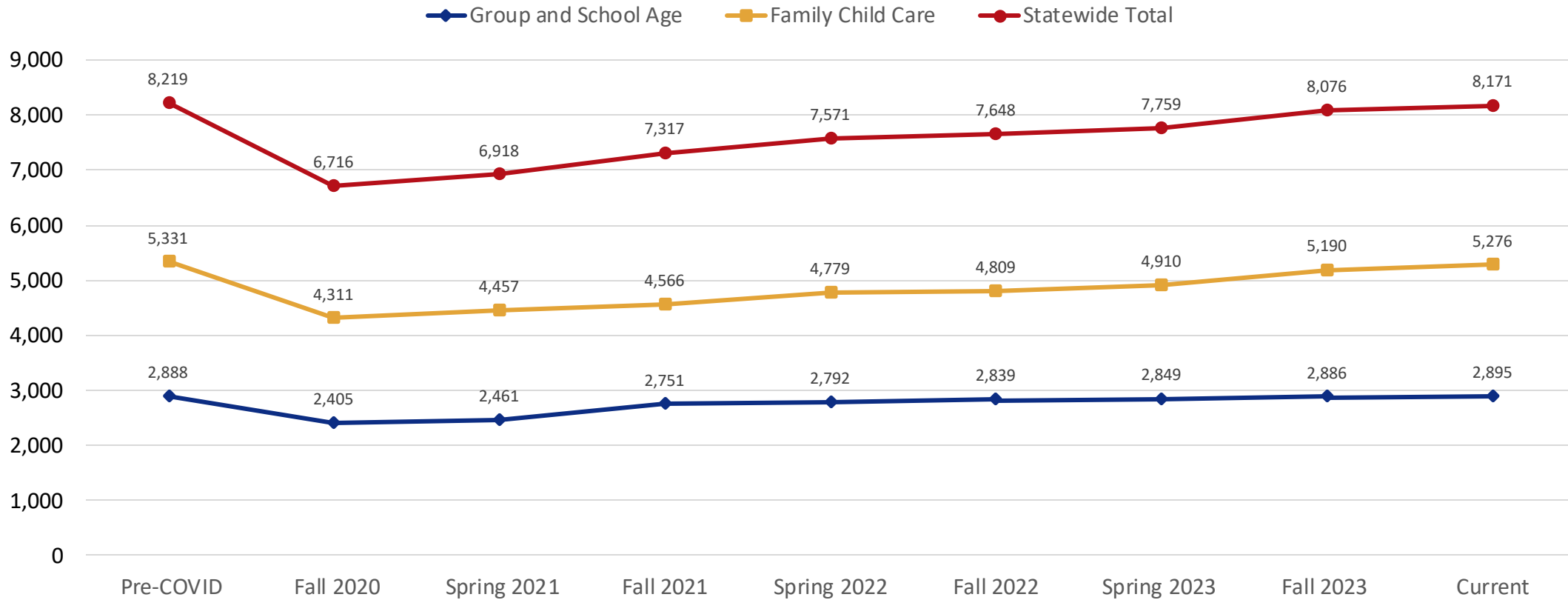
Response rates by region range from 82% in the Southeast and Cape to 88% in Western MA.

The licensed capacity of our system continues to grow and now exceeds pre-pandemic levels.



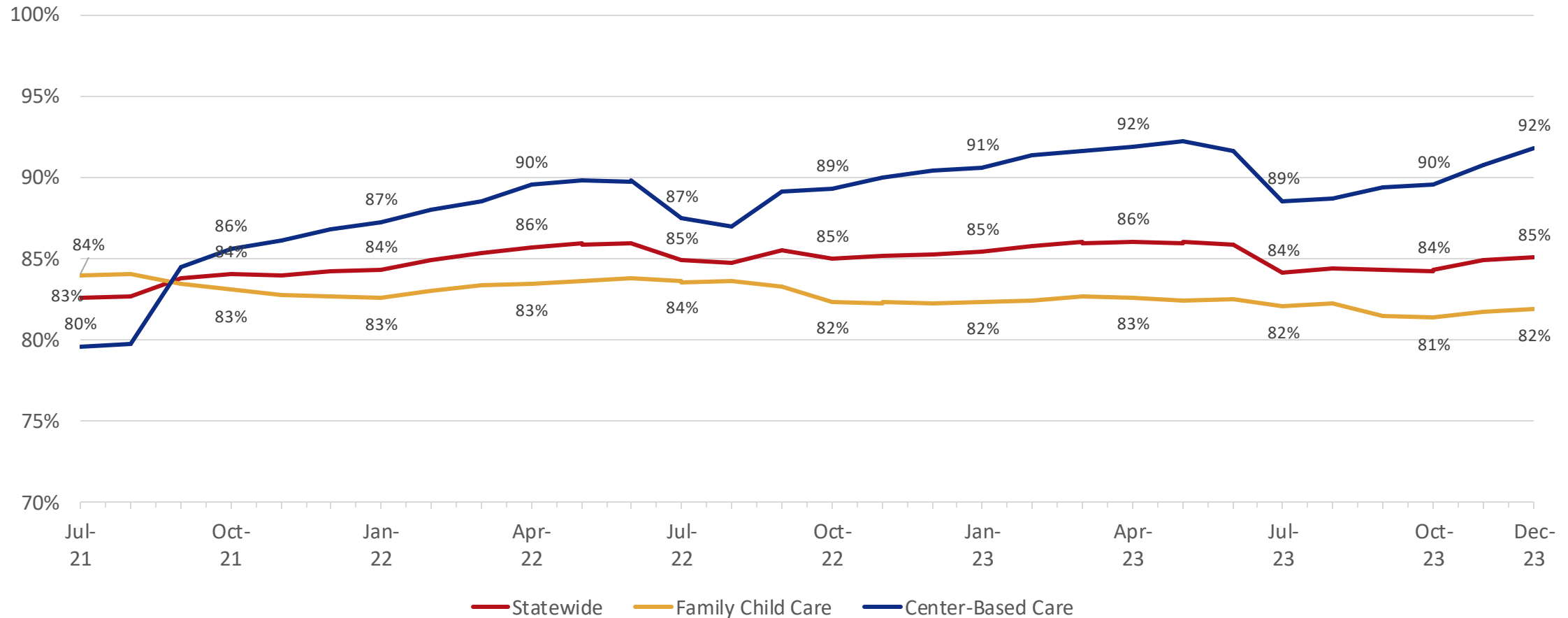
The number of licensed providers continues to rebound to pre-pandemic levels.

Number of Licensed Providers Over Time



On average, providers are currently filling 85% of their licensed seats with enrolled children.

Average Enrollment as a Proportion of Licensed Capacity, by Provider Type



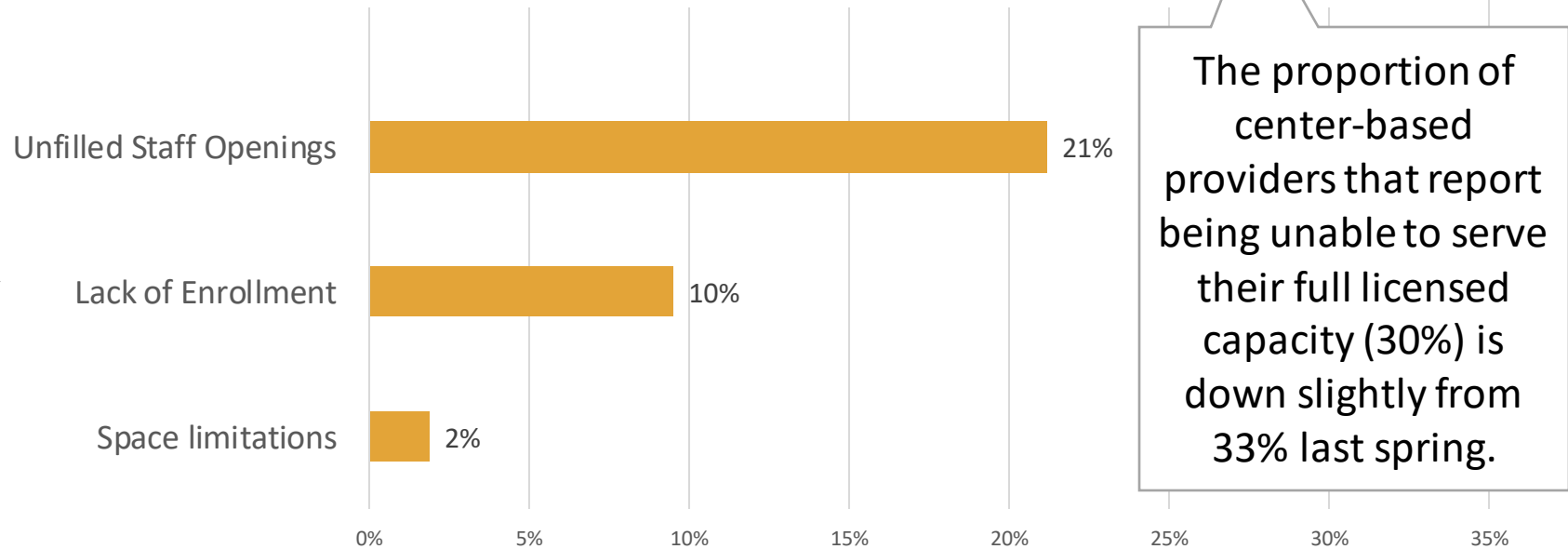
More than 2/3 of all center-based providers report that they are able to serve their full licensed capacity.

Factors Limiting Center-Based Programs' Ability to Serve their Full License Capacity (n=2,468)

All GSA Providers Unable to Serve Their Full License Capacity



The most frequently cited factors limiting center-based programs' ability to serve their full licensed capacity include...

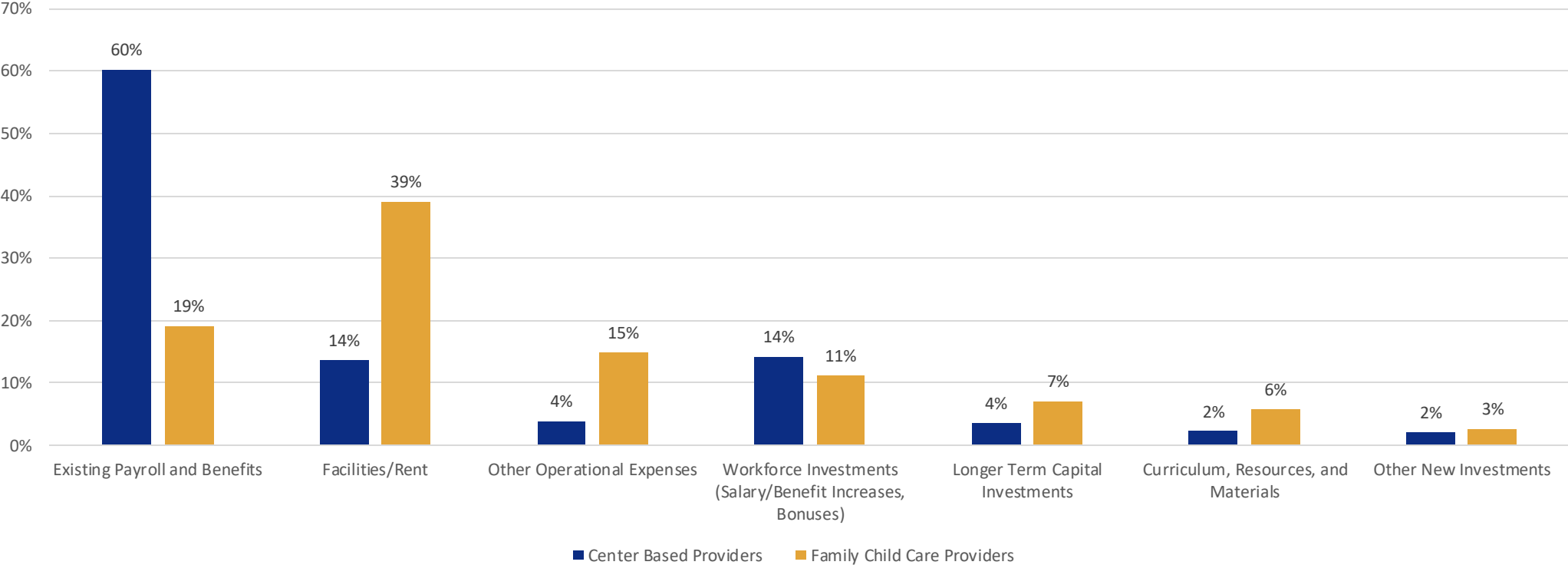


All other factors (transportation limitations, health and safety concerns, etc.) were cited by fewer than 2% of center-based providers.

The proportion of center-based providers that report being unable to serve their full licensed capacity (30%) is down slightly from 33% last spring.

Center based providers continue to spend more than half of recent grant funds on existing payroll and benefits, while FCC providers spend almost 40% of funds on facilities and rent.

Grant Spending by Category and Provider Type: July 1-October 31, 2023



Note: In the most recent survey, EEC shifted the structure for reporting grant spending. Previously, providers reported cumulatively on all grant funds expended since the start of the grant program. EEC now asks providers to report on grant funds spent during a finite reporting period. Therefore, these data should not be directly compared to previously reported data. Additionally, these data do not include unspent funds.

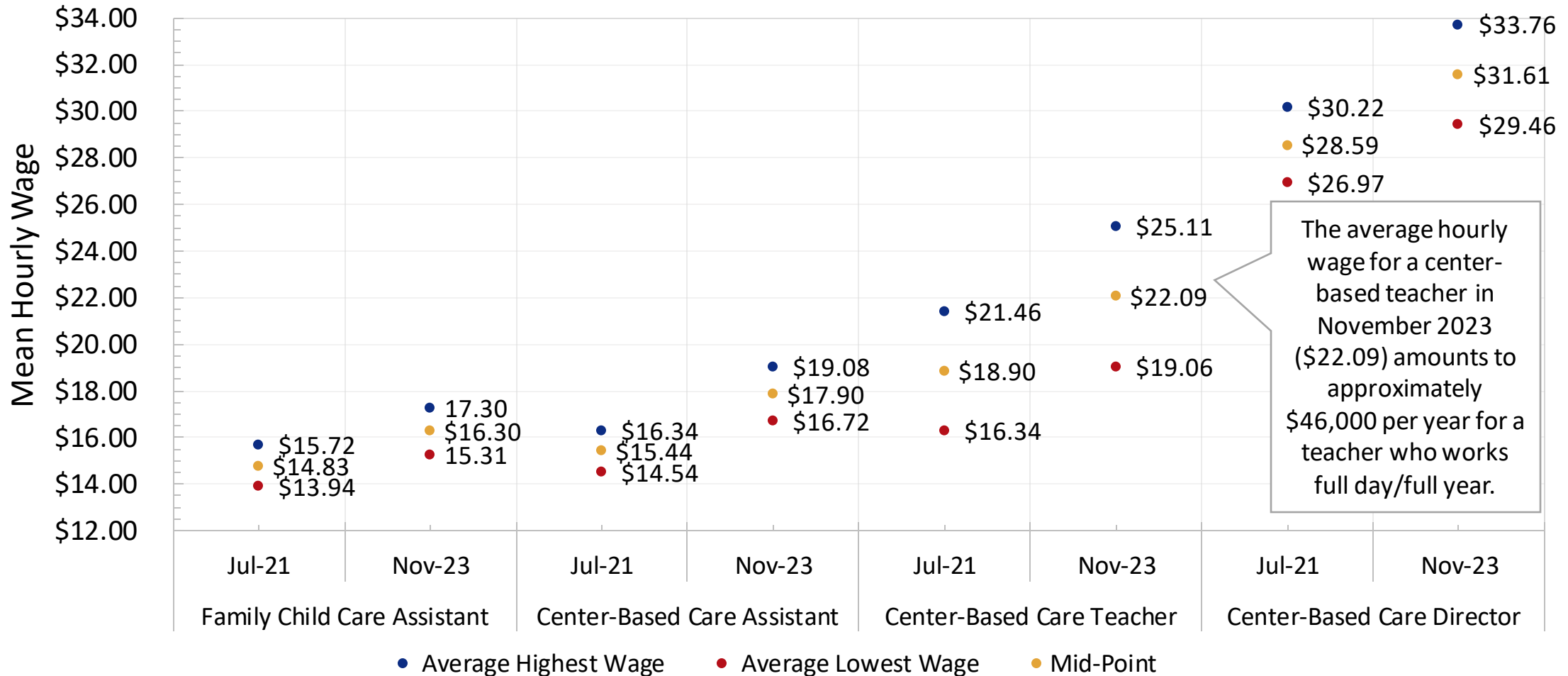
Providers spent two-thirds of recent grant funds on workforce-related expenses.

Total Workforce Spending (July 1-October 31, 2023)	
Category	Percent of Funds
Existing payroll and benefits	51%
Investments in salary increases	9%
Investment in new or improved benefits	1%
One time compensation and bonuses	3%
Incentives to hire new staff	1%
Investments in training, staff mental health, etc.	1%
Total	66%

66% of all grant funds spent between July 1 and October 31, 2023 were used to support the early education and care workforce.

Educator wages continue to grow since the start of the C3 grant but remain low.

Average Educator Highest and Lowest Hourly Pay Over Time

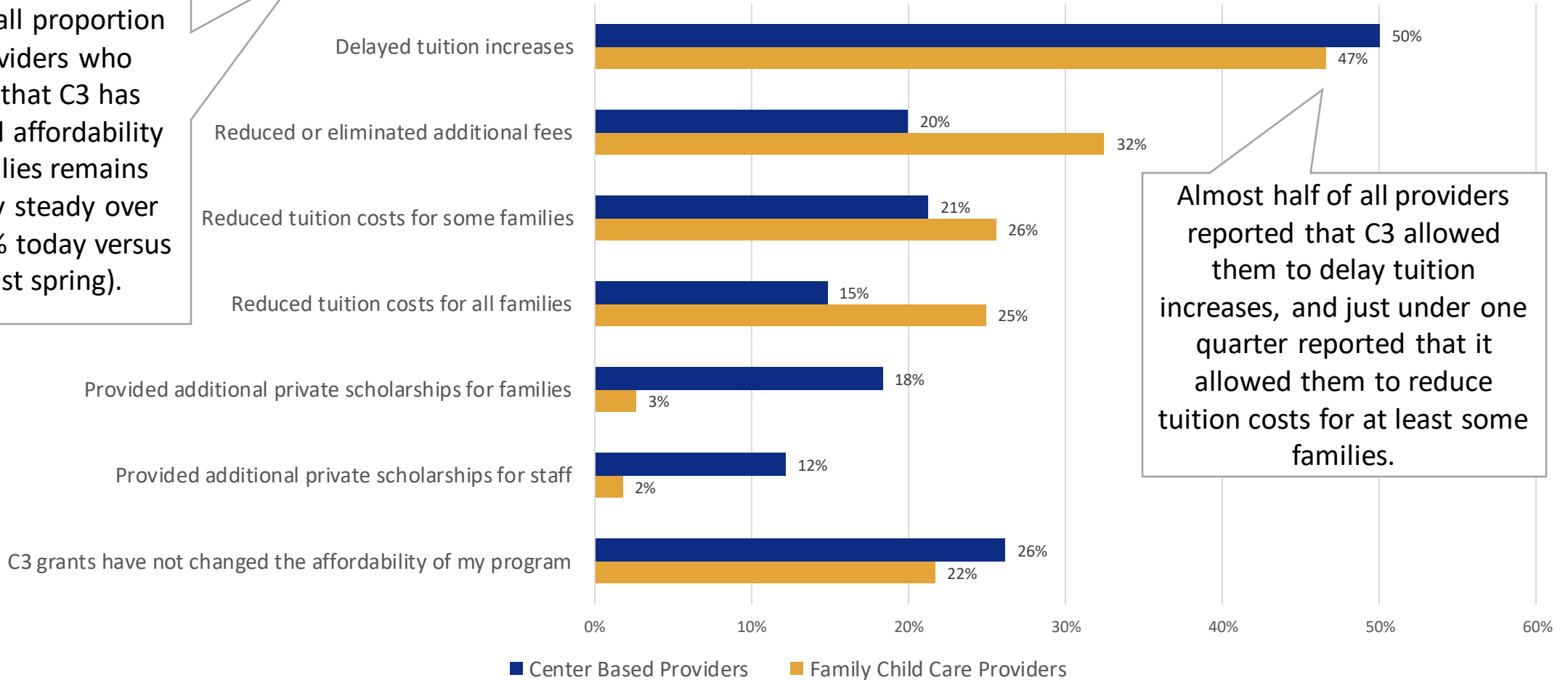


The average hourly wage for a center-based teacher in November 2023 (\$22.09) amounts to approximately \$46,000 per year for a teacher who works full day/full year.

More than three-quarters of providers report that C3 has had an impact on affordability for families.

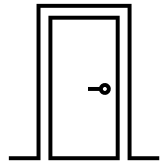
How have C3 grants impacted affordability for families in your program?

The overall proportion of providers who report that C3 has impacted affordability for families remains relatively steady over time (77% today versus 74% last spring).



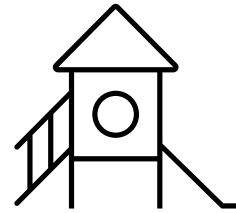
Almost half of all providers reported that C3 allowed them to delay tuition increases, and just under one quarter reported that it allowed them to reduce tuition costs for at least some families.

Programs increasingly report needing to close if C3 funds were no longer available.



1,161

programs report they would
**Close if C3 Funds No
Longer Available**



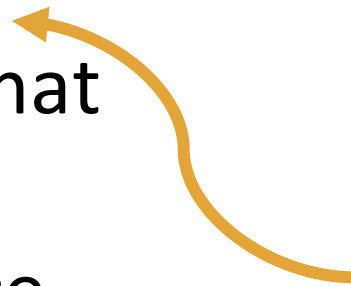
21% of family child care providers
report they would close
up from 18% in Spring 2022

10% of center-based programs
report they would close
up from 8% in Spring 2022



~14,000

Seats in programs that
accept child care
financial assistance
would be lost if these programs closed



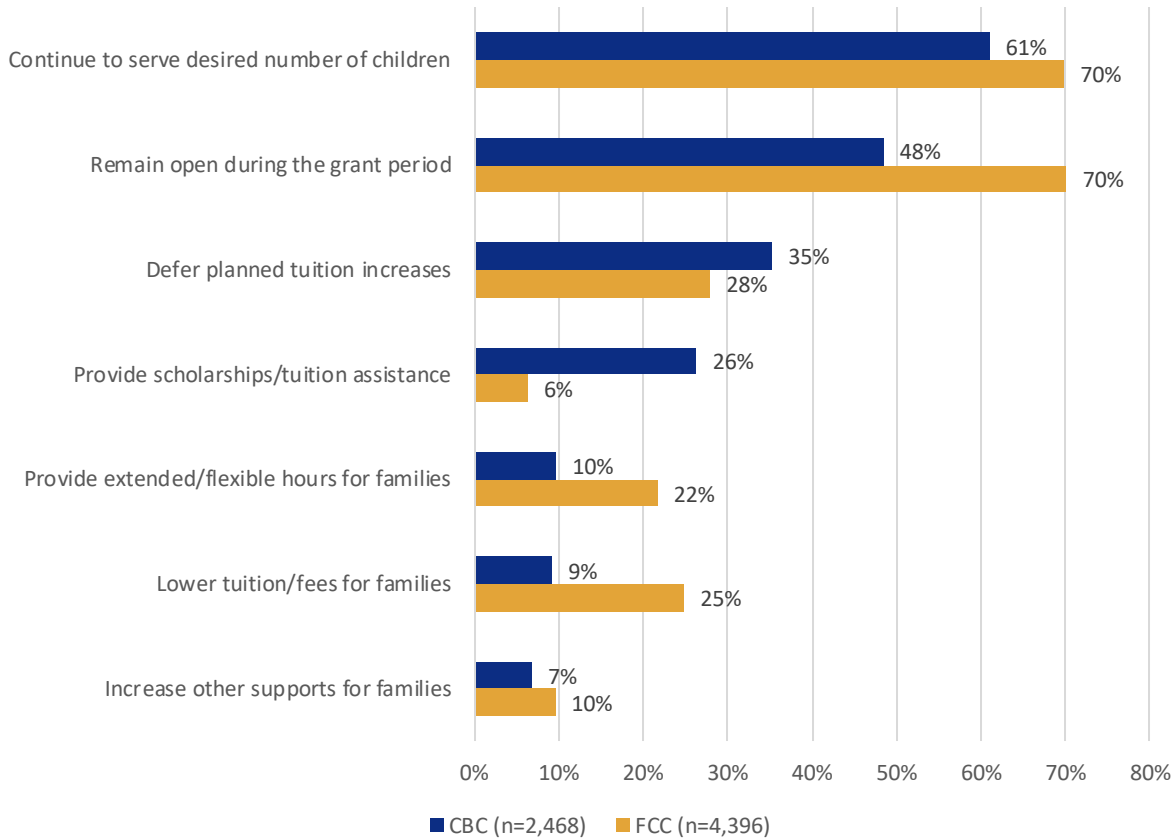
20,839

Licensed Seats
would be lost if these programs
closed

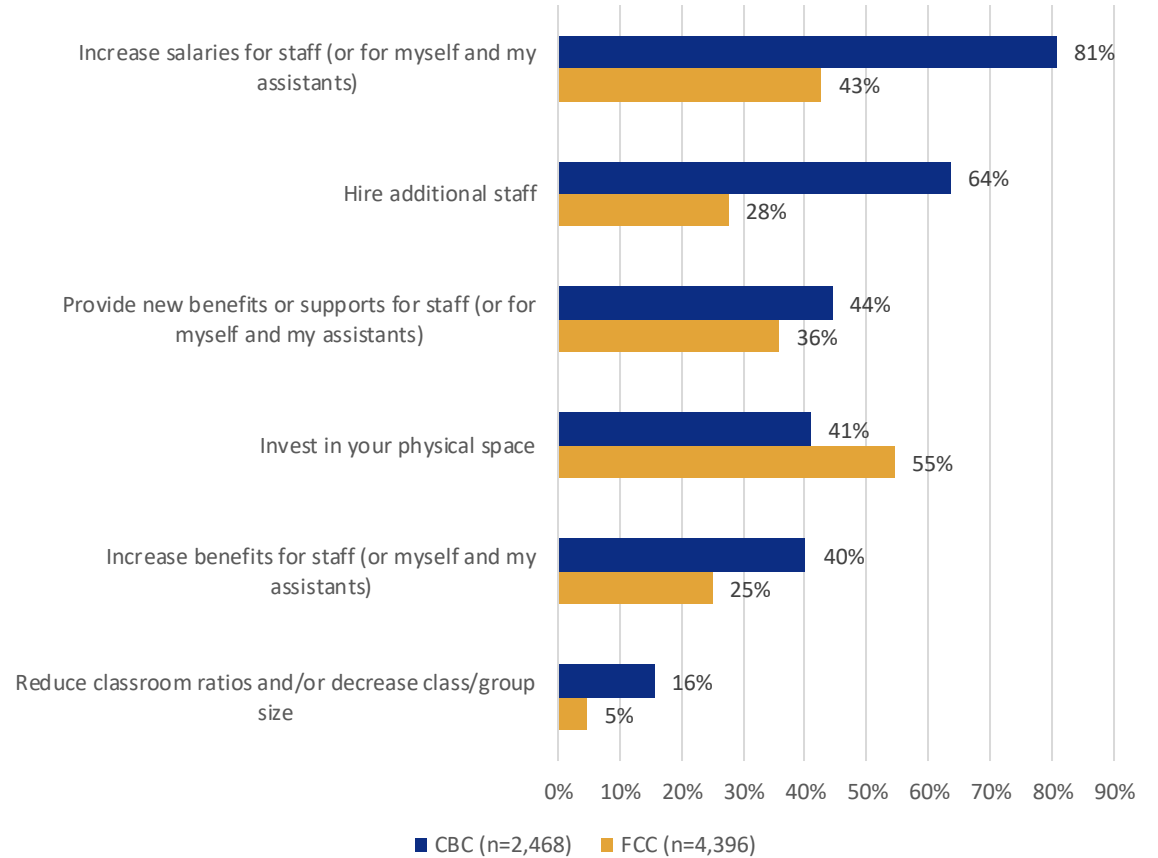


Providers report that C3 enabled them to remain open, serve their desired number of children, invest in staff, and support families.

Providers Report that C3 Allowed Them to Remain Open, Serve Children, and Provide Supports to Families

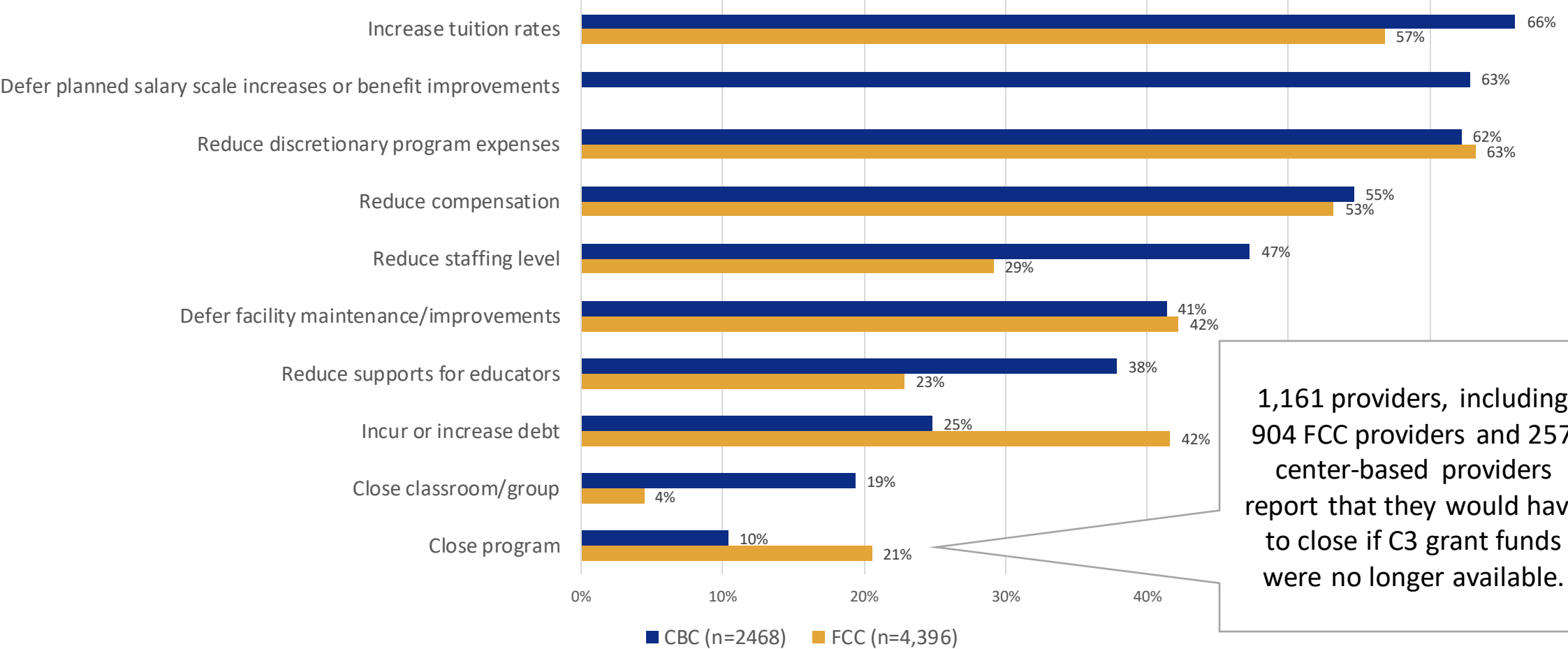


Providers Report that C3 Allowed Them to Support the Workforce and Make Other Quality Investments



Providers report impacts to families and educators if grant funding were no longer available.

If this grant funding were no longer available, what would be the impact to your program?



1,161 providers, including 904 FCC providers and 257 center-based providers report that they would have to close if C3 grant funds were no longer available.