



Commonwealth of Massachusetts Department of Early Education and Care

Board Meeting

May 10, 2022



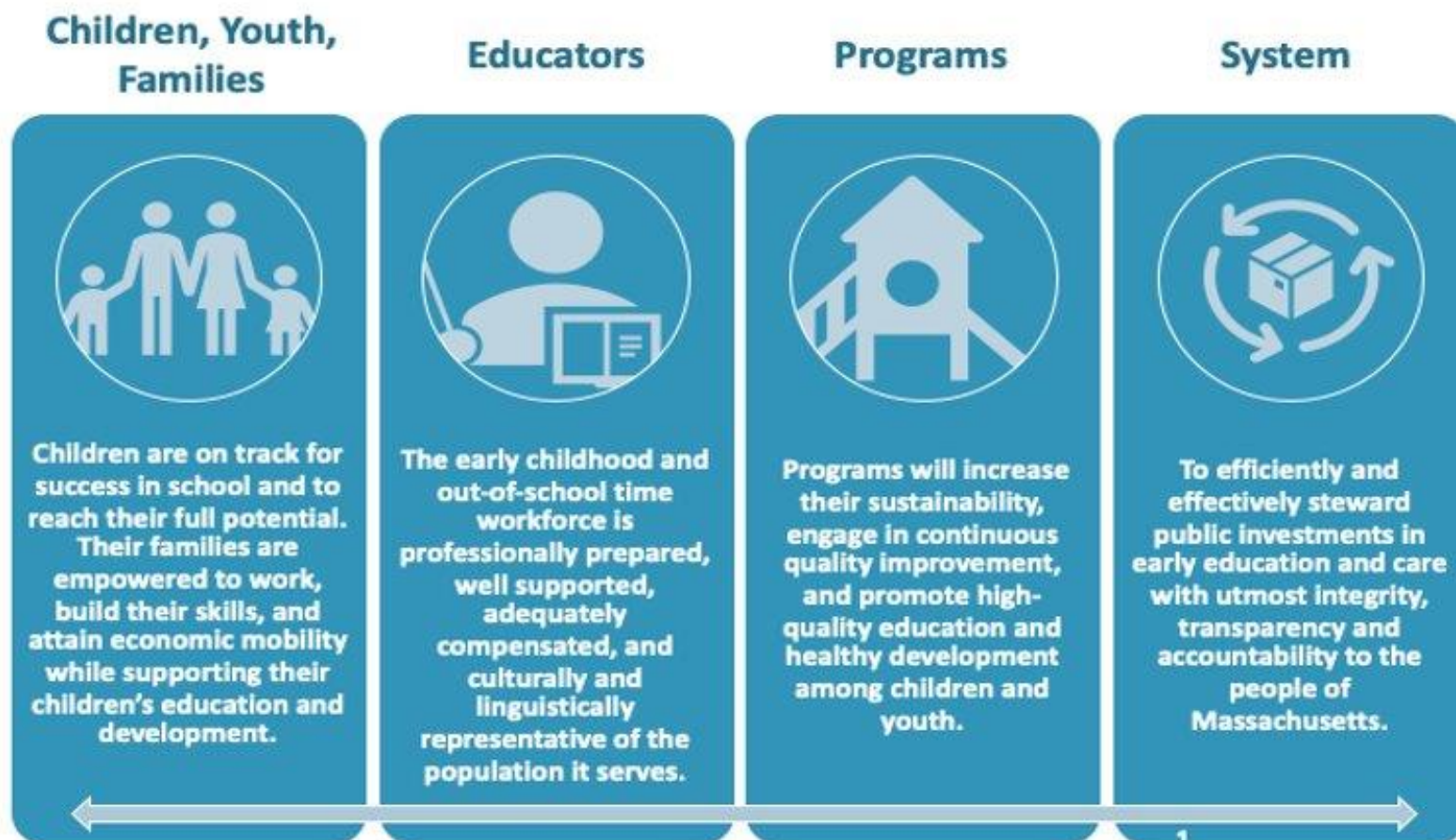
- Early Learnings and Proposed Framework for Strategic Action Plan Implementation
- Commonwealth Cares for Children (C3):
 - Stabilization Grants Update & Preliminary Outcomes
 - Workforce Bonus Funds
- Market Rate Study

Early Learnings & Proposed Framework for Strategic Action Plan Implementation

Early Learnings, Engagement & Strategic Action Plan Alignment



Based on staff and stakeholder engagement over the past six weeks – including EEC all-staff meetings, regional office visits, and meetings with subject matter experts, legislative leaders, and partners from across the early education sector – broad support and alignment exists for EEC’s Strategic Action Plan and Goals.



Operationalizing the EEC Strategic Action Plan Implementation Framework & Operational Focus



Human/user-centered restructuring of agency operations and business processes to modernize and improve the staff and user experience

Key User Groups

Children, Youth and Families

Maximize access, streamline procedures and expand early education and care options

Programs

Provide consistent, ongoing supports that promote stable financing, quality services and health and safety

Educators

Facilitate meaningful career pathways, professional advancement and retention of educators in the field

Enabling Mechanisms

Data-driven decision making



New and expanded technology



Staff expertise and engagement



On-going stakeholder engagement



Targeted Program Integrity

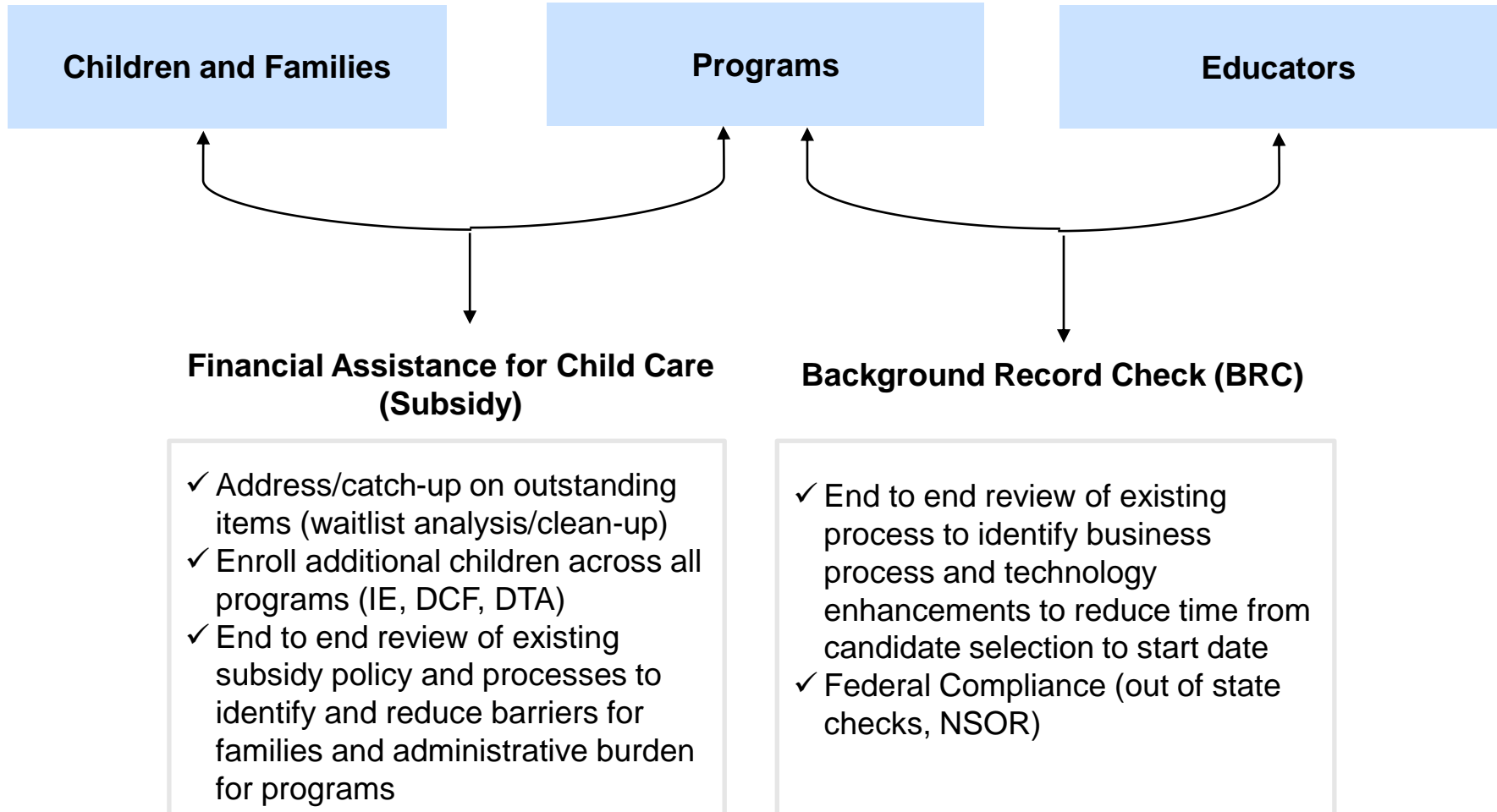


Operationalizing the EEC Strategic Action Plan

Immediate Priority Projects



Leveraging cross-secretariat resources to accelerate enhancements and improvements that will improve user experiences and increase access for families.



Commonwealth Cares for Children (C3) Stabilization Grant Program

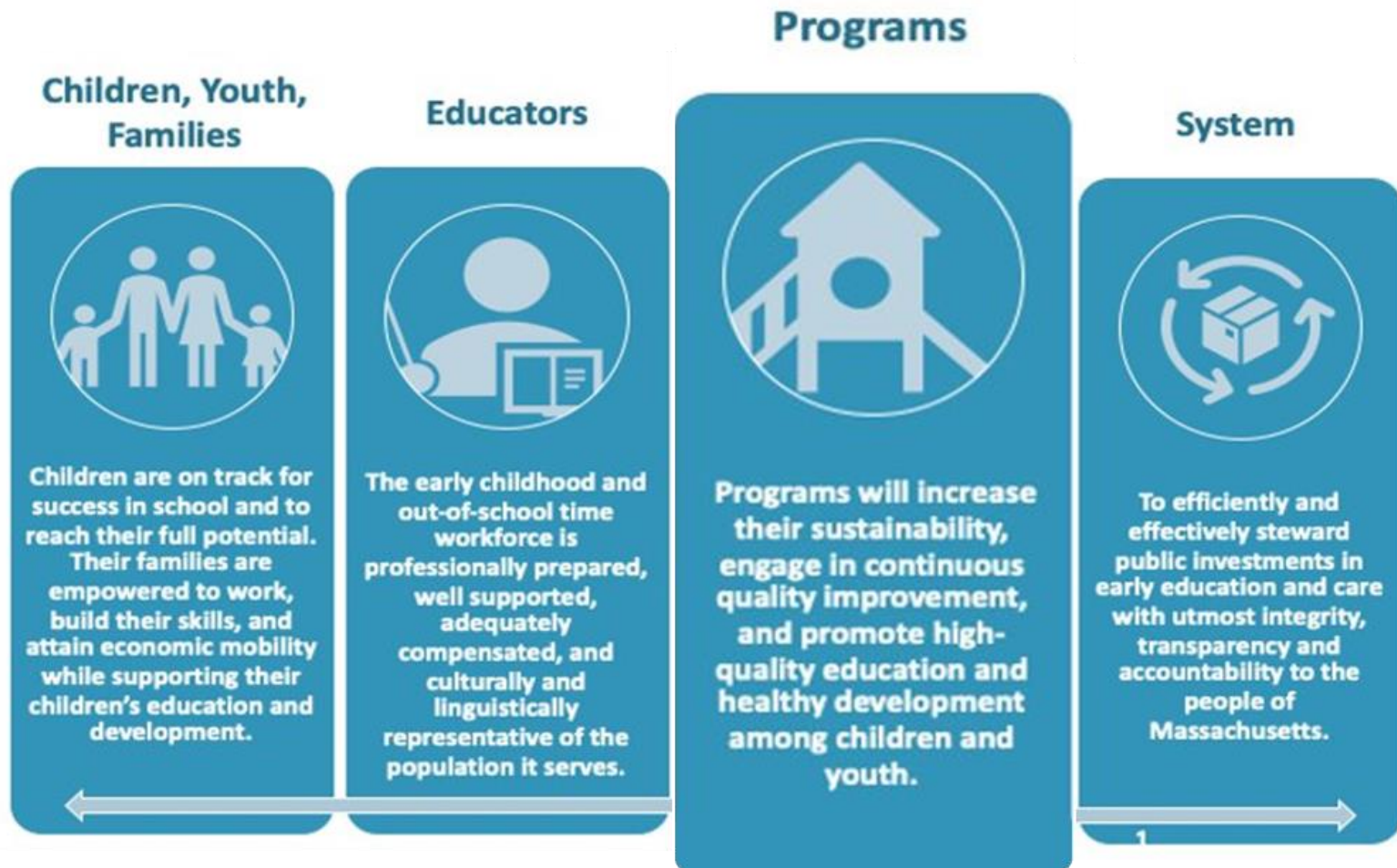
Key Takeaways:

- Stabilization grants provided an historic investment in foundational funding for programs.
- A year of monthly, program level grants, demonstrated that such funding could be effective at stabilizing program finances during a year of fluctuating revenue.
- The formula used in distributing the grants has been effective at directing funds to programs serving lower-income families.
- Currently, the early education and care system is at 92% of pre-COVID capacity
- Challenges recruiting and retaining educators remain, suggesting ongoing attention to ways in which grant funds can be targeted to solutions.

Discussion Points:

- Learnings from the C3 grant program that can inform future strategies for supporting financial stability for programs.
- Identification of additional information needed to determine future directions.

Strategic Action Plan Goals: Focusing on Stable Financing for Programs





C3 Stabilization Grants: Background & Summary

- Federal funds from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARPA)
 - 90% of ARPA funds were required to be expended in direct grants to operating programs, including those never before funded by subsidy funds.
 - States were expected to understand operating expenses and identify funding amounts sufficient to ensure continuing operations.
 - To ensure funds were meeting federal goals, EEC worked with Third Sector to design the Commonwealth Care for Children (C3) formula.
- To date, 6,626 programs have applied for grant funding and report serving ~160,000 children/month. Those receiving funds represent 85% of eligible providers.
- Of those applying, 60% serve children with subsidies and receive 62% of funding.
- To date, \$320M has been disbursed to programs. The average monthly award for FCCs is \$1,478 and for center-based programs is \$12,161.
- A November survey indicated that providers largely invested in operational costs (75% of grant funds on average), including payroll, past expenses and other costs.



C3 Stabilization Grants: Workforce Bonus Funds

EEC will make a one-time workforce bonus available in mid-May to all programs receiving grant funding as of May 6, 2022. This funding will further support program investments in efforts to recruit and retain educators and sustain program quality.

- Once the eligible population of programs is identified, EEC will calculate a precise per slot amount to disburse, using remaining FY22 funds allocated to this purpose.
- Payments are expected to be ~\$30/slot and will be calculated with the same formula as regular grant payments (with a staffing and equity adjustment).
- In mid-May, a separate application for the bonus payment will become available to all eligible programs on the LEAD grant page.
- Programs will receive a separate bonus payment in the next payment cycle following the approval of their bonus application. Payments are expected to begin in June.
- Programs will be expected to use the bonus funds on workforce compensation investments, including stipends and bonuses, and other quality investments, including improvements to family access, such as extended hours.



C3 Stabilization Grants: April Survey

EEC has launched a new survey of grantees which will provide additional information about programs' use of grant funds, ongoing financial need, investments in educators and services provided to families.

- In **April 2022**, EEC required providers to participate in a second of a series of surveys regarding the C3 Stabilization Grants. This survey window is currently open, and ~2,000 providers have completed it to date. Remaining providers will complete the survey when they apply for their May C3 grant.
- The survey builds on the November C3 grant survey, repeating questions about the following to identify changes since the fall on:
 - Grant expenditures
 - Enrollment
 - Staffing
- And to learn about **new topics**, including:
 - Changes that programs would be required to make, without grant funding;
 - Plans for tuition and salary increases;
 - The reach of investments in increased educator compensation and benefits;
 - Supports for families provided by programs;
 - Barriers to subsidy participation; and
 - Preliminary cost information.

C3 Stabilization Grants are distributed through a formula scaling funding to roughly 10% of operational costs.



EQUATION = **BASE AMOUNT** + **Equity Adjustment**

EEC is considering the feasibility of capping or otherwise reducing payments for programs with an unacceptably high level of CEO compensation relative to educator compensation

Base Amount

Base Amount =

(\$ starting \$ amount * X

Licensed Capacity for GSA (or flat amount for FCC) - *not* enrollment X

Multiplier for Educator/ Licensed Capacity Ratio * X

Adjusting the size of payments based on the # of educators ↑ \$ for providers that:

- Serve younger kids
- Offer longer hours
- Offer higher quality care

Equity Adjustment

Equity Adjustment =

Level 1: (Base Amount * 25%) if...

- SVI $\geq .55$ and $< .75$ OR
- 33 - 66% of enrolled children receive subsidies

Level 2: (Base Amount * 35%) if...

- SVI $\geq .75$ OR
- $>66\%$ of enrolled children receive subsidies

- Scaling by **licensed capacity and FTE** to capacity ratios accounts for most variation in operating costs.
- **Equity adjustment** ensures funding is directed to programs serving higher need communities and families.

Grant application rates are highest amongst eligible providers serving highest need families and communities.



Percentages of eligible providers in the following categories applying for grant funding as of April 12, 2022

	Overall Take-Up Rates	Majority BIPOC Census Tract	Gateway Cities	Low SVI (0-.25)	Highest SVI (.75-1)	Serving Children Receiving Subsidies	Serving No Children Receiving Subsidies
FCC	85%	91%	89%	78%	90%	96%	72%
Center Based	85%	91%	89%	83%	90%	93%	76%

Uptake in all categories has increased between February 24, 2022 and April 12, 2022, but continues to be highest amongst those serving high needs communities and families. FCC and Center-based application rates are now very similar.

Overall Take-up = total number of currently-eligible providers who have submitted at least one approved application (some providers have submitted for multiple months) out of all eligible providers. Majority BIPOC census tract take-up = total number of currently-eligible providers who have submitted at least one approved application (some providers have submitted for multiple months) located in Majority BIPOC census tracts, out of total eligible providers who are located in Majority BIPOC census tracts.



Nearly a year of C3 funding has effectively supported programs through enrollment and staffing challenges.



6,626 programs submitted at least one application for funding in FY22



~\$320 million paid to programs to date

July 2021

Launch of monthly grants

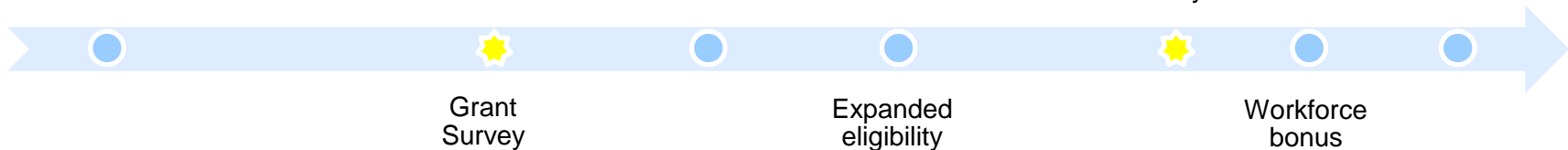
December 2021

Extension of grants through June 2022

June 2022

Grant Survey

Final funding month FY22



Grant application data allows EEC to track key contextual factors, such as enrollment and staffing, while periodic surveys provide deeper insight into how these factors affect programs and the resulting investment decisions.

- During FY22, enrollment improved while staffing challenges have continued, despite increases in salaries.
- Programs largely reported using grant funds for operational expenses in the fall. April survey data will allow us to understand how spending trends have evolved.
- May bonus funding will support additional investments in educators and quality.

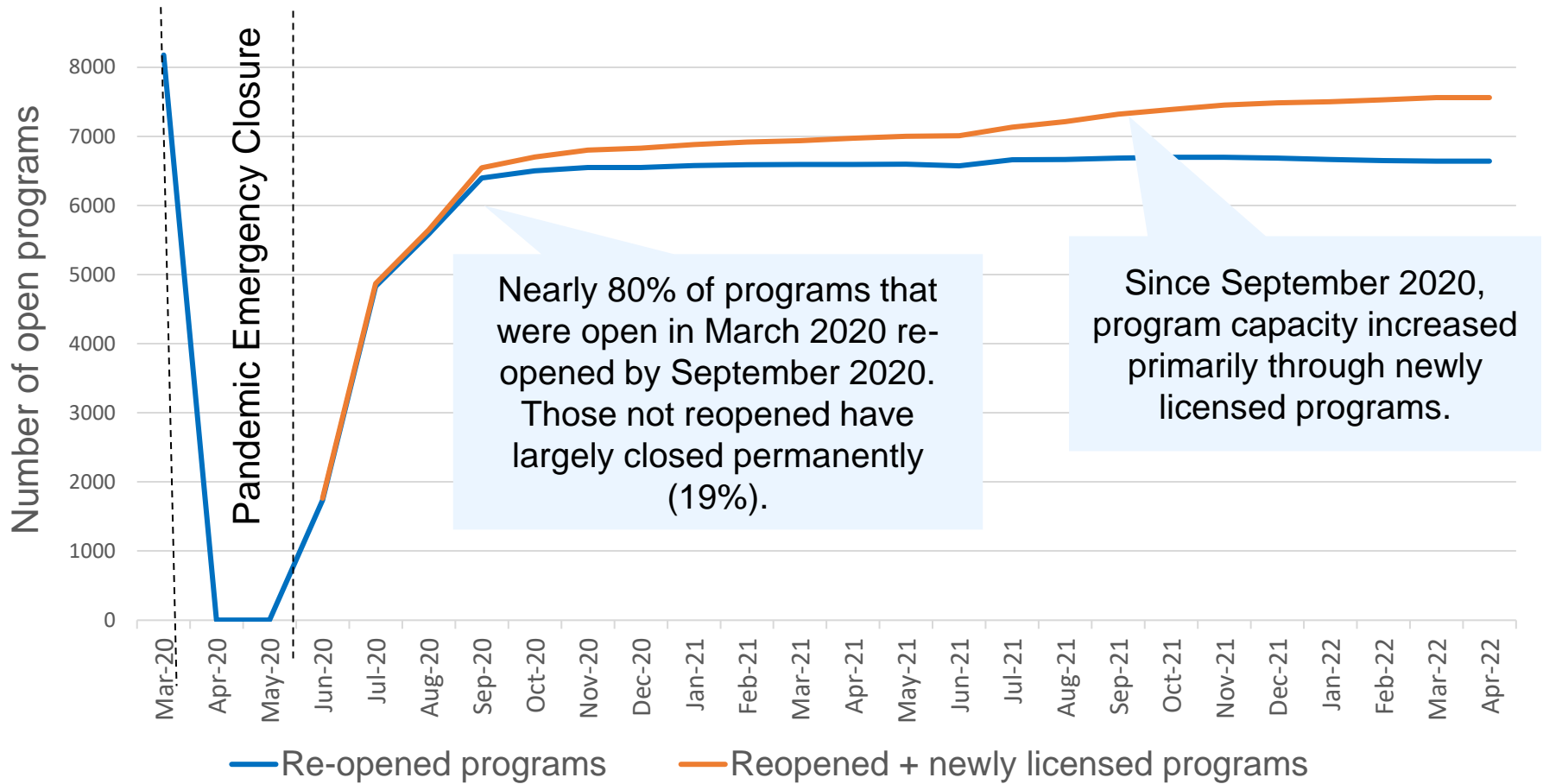
Overall system capacity is on track to return to pre-pandemic levels in FY23.



Group and school age numbers have rebounded more than FCC, but both groups are at or above 90% of pre-pandemic numbers.

	Number of Licensed Providers			Total License Capacity		
	# Providers (Pre-COVID)	# Providers (May 1, 2022)	% of Pre-COVID Providers	License Capacity (Pre-COVID)	License Capacity (May 1, 2022)	% Pre-COVID License Capacity
Group and School Age	2,892	2,786	96.3%	187,450	183,335	97.8%
Family Child Care	5,332	4,798	90.0%	42,092	38,430	91.3%
Total	8,224	7,584	92.2%	229,542	221,765	96.6%

The recovery is driven by both reopening of programs licensed before the pandemic and opening of new programs since July 2020.



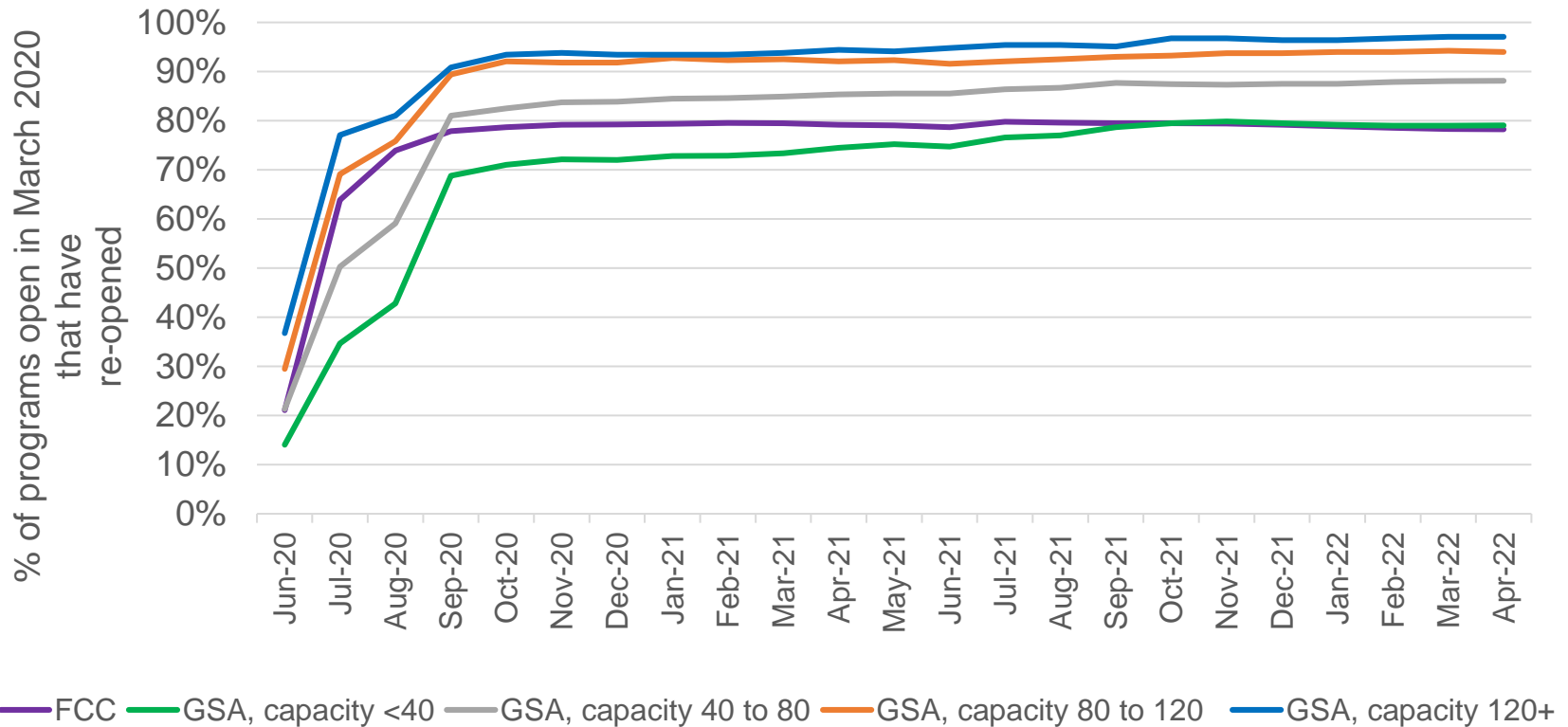
There are currently 923 programs operating that have been licensed since March 2020.

61%
are in high SVI communities

69%
are FCC providers

37%
serve children with subsidies

Larger center-based programs re-opened faster and at higher rates.



In addition to re-opened programs, there are currently 923 programs that have been licensed since March 2020, including:

635
new FCCs

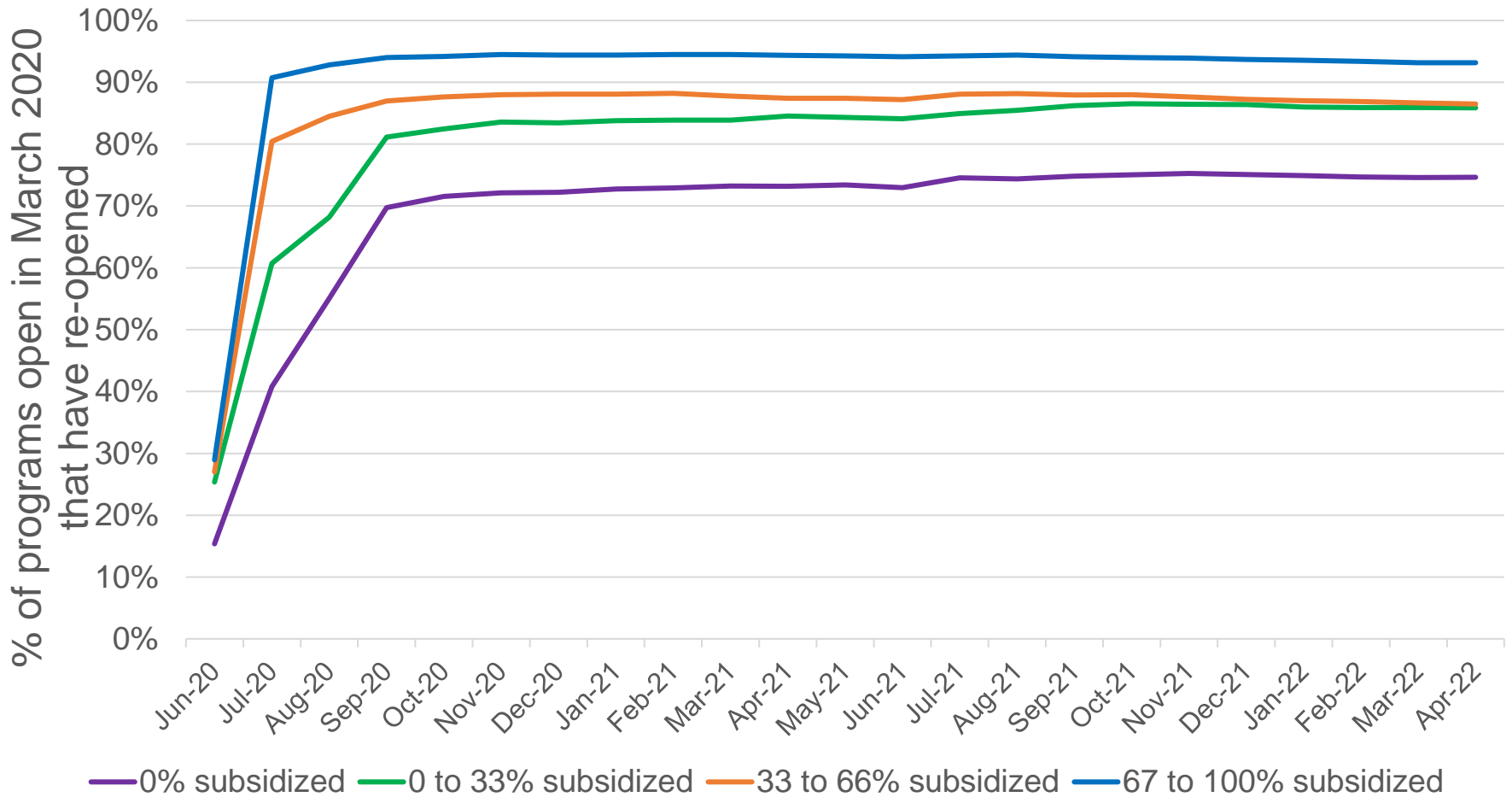
157
new GSA programs with a capacity < 40

94
new GSA programs with a capacity between 40 and 80

20
new GSA programs with a capacity between 80 and 120

17
new GSA programs with a capacity greater than 120

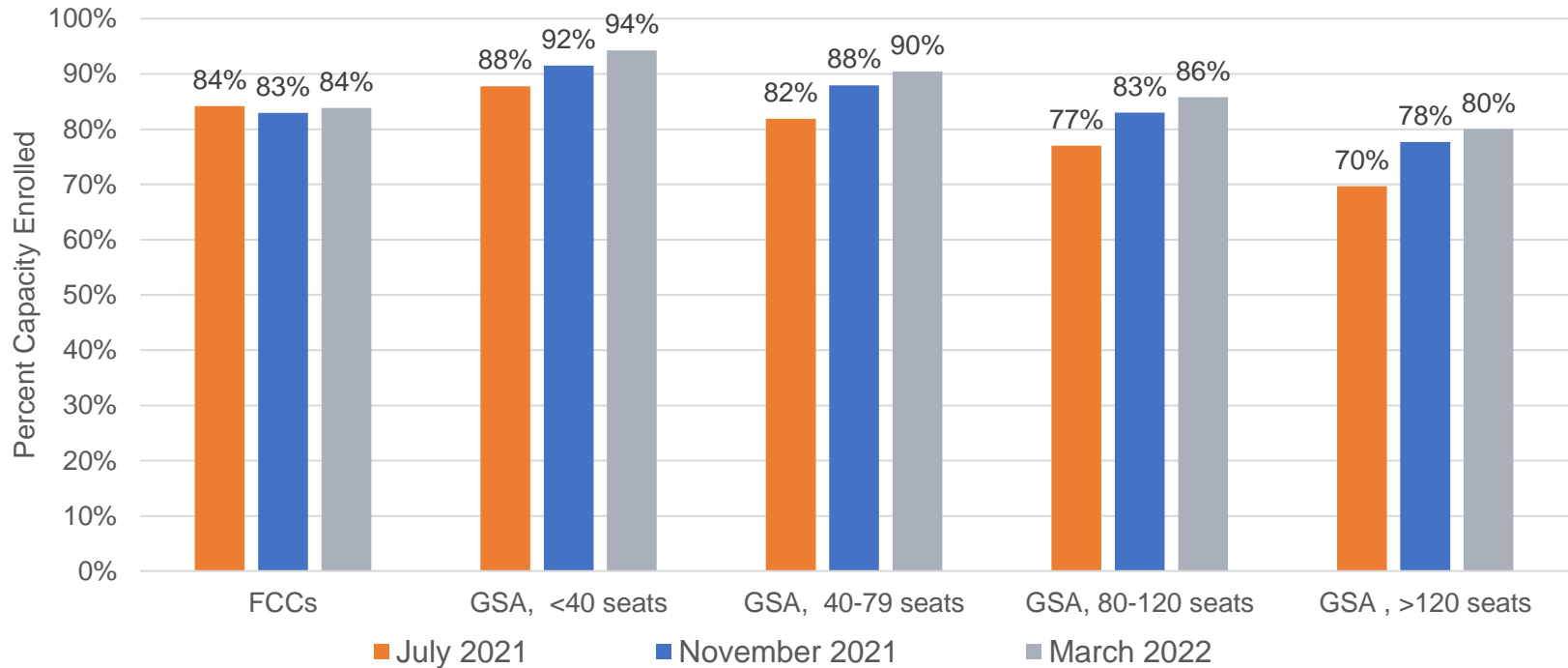
Programs filling a higher percentage of their licensed capacity with subsidized children reopened more quickly and at higher rates.



Programs report enrollment improving with larger programs facing greater limitations.



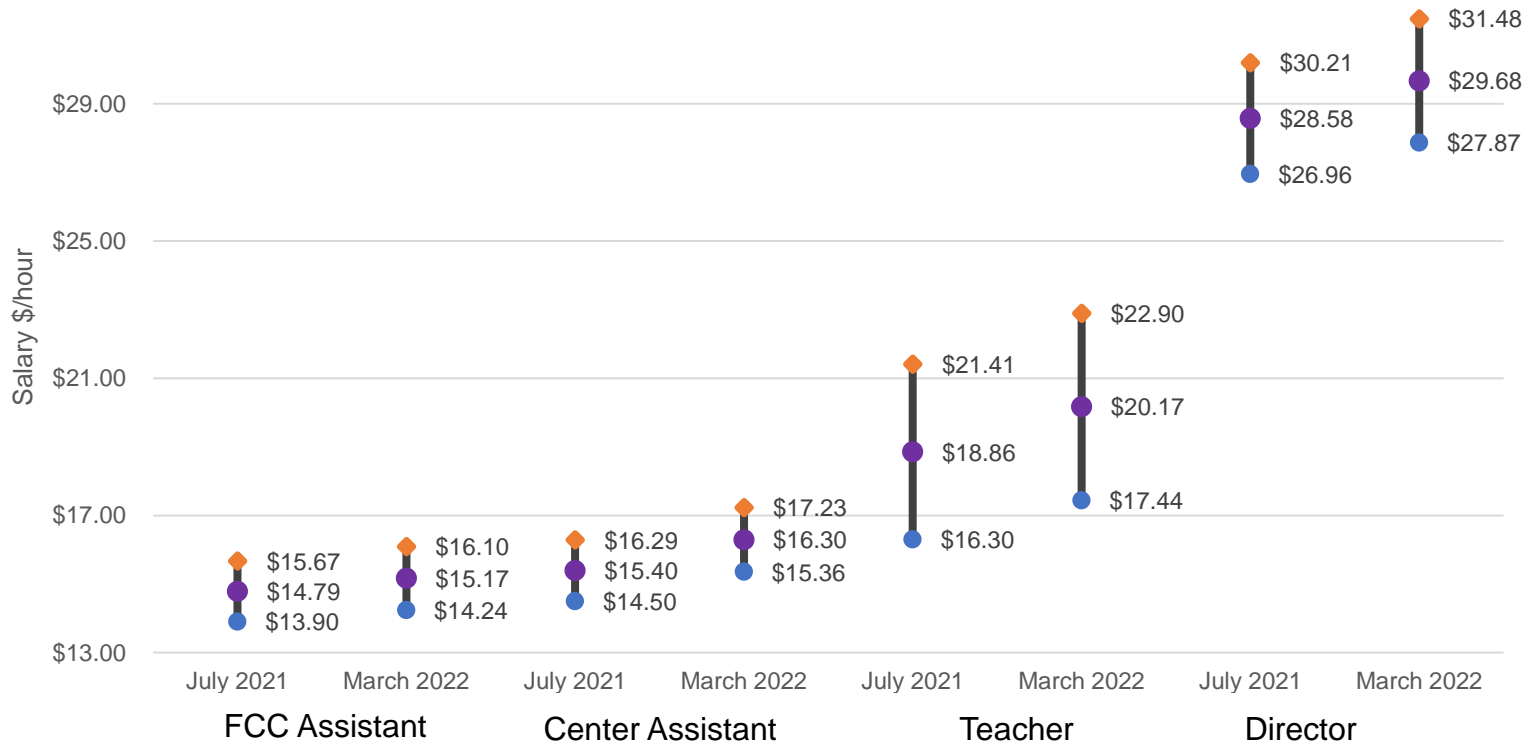
Percent of License Capacity Enrolled



April survey data will provide a deeper understanding of these trends.

- The extent to which parttime children may be inflating the enrolled capacity estimate will be analyzed with April survey data. November estimates suggest an adjusted capacity of 68%.
- The April survey will also identify how staffing challenges are limiting capacity. In November, 19% of programs were unable to serve their full licensed capacity due to staffing and other constraints.

Programs' average high and low salaries across all roles have increased since the grant began in July 2021.



- Fall survey data indicating 69% of programs currently have educator openings and application data indicates that staffing levels system wide have held constant.
- April survey will also identify in greater detail how programs are investing in educators

Commonwealth Cares for Children (C3) Stabilization Grant Program

Discussion Points:

- Learnings from the C3 grant program that can inform future strategies for supporting financial stability for programs.
- Identification of additional information needed to determine future directions.

Market Rate Study

Key Takeaways:

- Market Rate study is required by federal regulations to identify subsidy rates that provide strong market access for subsidized families.
- EEC is supplementing the Market Rate Study with a Cost Study to better understand costs to programs of providing services and gaps between rates and costs.
- Data from both a market rate and cost study can support holistic rate setting, while also informing a better understanding of current business models and systemic approaches to stable financing for programs.



Market Rate Study

- EEC is required by federal Child Care and Development Fund (CCDF) regulations to conduct a market rate study early in FY23 and use the results to revise subsidy rates.
 - Using tuition rate data from programs across all regions of the state, a market rate study will identify the range of rates currently charged to families and the percent of the market subsidized families will be able to access.
 - By using administrative data we will have a strong sample of rates from programs serving subsidized and non-subsidized children.
 - While not a requirement, agencies are encouraged to set rates at 75% of the market rates.
 - The results of this study will inform subsidy rate setting that supports increasing family purchasing power and market access.



Market Rate Study: Cost Component

- EEC has included a cost study component in the Market Rate Study to better understand program costs and revenue; and identify effective funding mechanisms to strengthen the early education and care system in the Commonwealth.
 - Cost models can be developed to better understand the costs of particular program models, by program type and quality investments, for example.
- These data will be considered when developing recommendations to revise subsidy rates to address gaps between rates and costs.
- Updated cost models will also support EEC in planning future efforts to fund programs in ways that effectively support operational needs.

Market Rate Study: Timeline

Spring - Summer 2022

- Request for Responses posted May 5th
- Analysis of the rate/ hours of operation data available through LEAD (and supplemental survey data) to identify market rates across regions, program types and child ages and make recommendations for EEC rate setting
- Data collection to update outdated cost models

Fall 2022

- **Approval of market rate study analysis and recommendations at September Board meeting (federally required)**
- Revision of cost models
- Further analysis to understand program characteristics and external factors that shape rates and costs.

Winter 2022 - 2023

Recommendations around:

- Rate setting process to provide families strong purchasing power and sufficiently address program costs (fall recommendations)
- Potential role of stabilization grants in providing foundational funding
- Opportunities to achieve greater cost efficiencies through shared services

Ongoing stakeholder engagement – including Board engagement

Appendix

Center- based serving infants/ toddlers and high needs communities/ family programs are receiving more funds per licensed slot.



Median payment per GSA Licensed Slot		
	No Infants/Toddlers	Serves Infants/Toddlers
All Providers	\$117	\$194
Majority BIPOC Census Tracts	\$124	\$198
Low SVI (0 - .25)	\$108	\$165
Highest SVI (.75 - 1)	\$124	\$210
Owned/Operated by a Person of Color	\$140	\$218
Serve Children Receiving Subsidy	\$117	\$200
Do Not Serve Children Receiving Subsidy	\$119	\$185

The staffing adjustment is effectively providing more funding to those serving infants and toddlers as designed.

Similarly, providers in high SVI communities and those serving children with subsidies are receiving additional funding as a result of the equity adjustment.



FCCs serving high needs communities and families are also receiving more funds per licensed slots.



Median per Licensed Slot	
All FCCs	\$175
Majority White Census Tracts	\$146
Majority BIPOC Census Tracts	\$194
Gateway Cities	\$194
Low SVI (0 - .25)	\$139
Highest SVI (.75 - 1)	\$194
Owned/Operated by a Person of Color	\$194
Serve children receiving subsidies	\$194
Do not serve children receiving subsidies	\$161

Providers:

- in high SVI census tracts
- in majority BIPOC census tracts
- in Gateway Cities
- serving children who receive subsidies

are all receiving additional funding per child, indicating that the equity adjustment is working as intended and targeting additional funds to these providers.



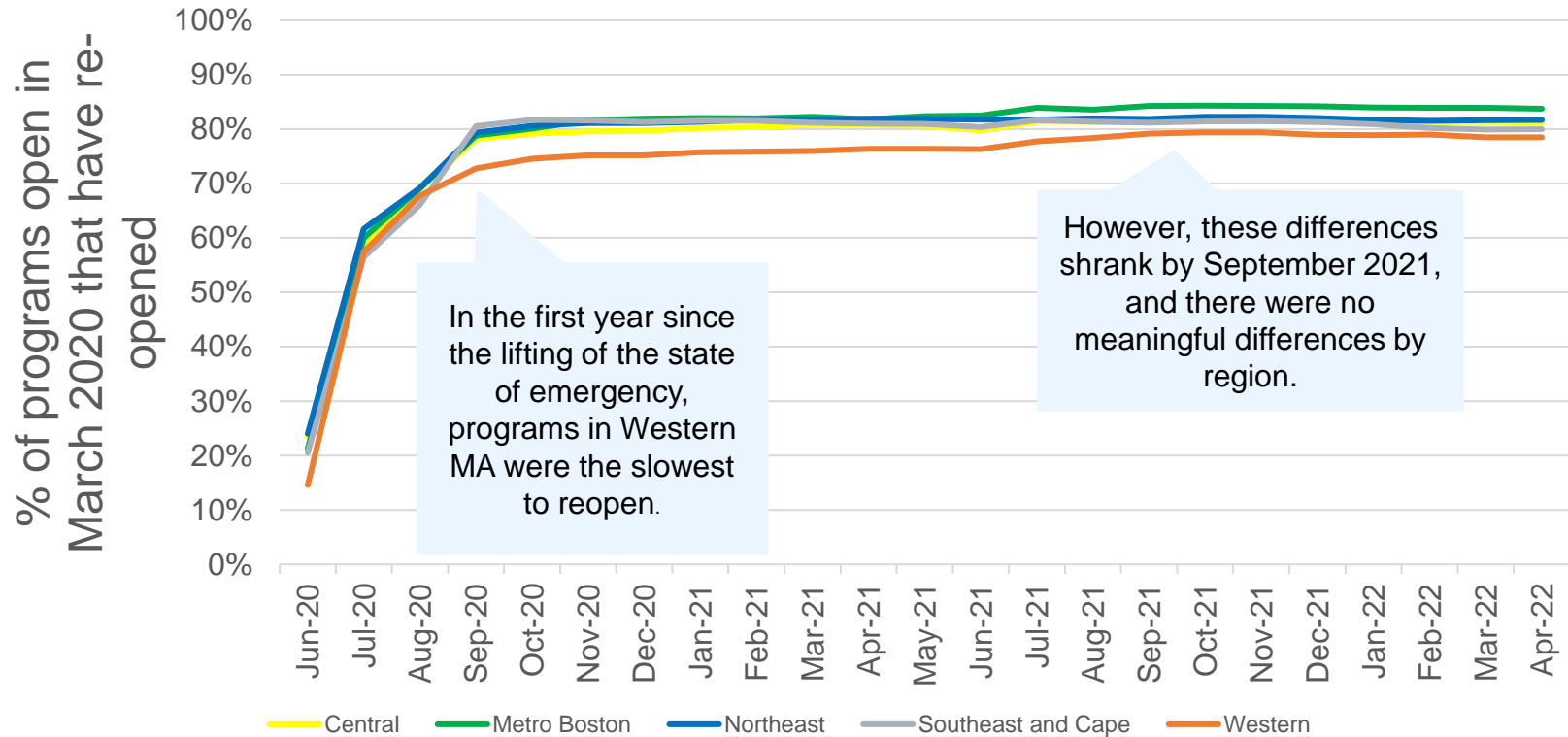


Patterns of recovery vary across regions.

Region and Type	# programs open March 2020	# programs open May 1, 2022	% of pre-COVID programs	Total Licensed Capacity
1 – Western FCC	874	764	87.4%	6,090
1 – Western GSA	394	378	95.9%	22,261
2 – Central FCC	1157	1,041	90.0%	8,216
2 – Central GSA	522	506	96.9%	34,881
3 – Northeast FCC	1297	1,143	88.1%	9,192
3 – Northeast GSA	675	672	99.6%	49,453
5 – Southeast & Cape FCC	938	859	91.6%	6,864
5 – Southeast & Cape GSA	614	578	94.1%	36,871
6 – Metro Boston FCC	1066	991	93.0%	8,068
6 – Metro Boston GSA	687	652	94.9%	39,869
	8,224	7,584	92.2%	221,765



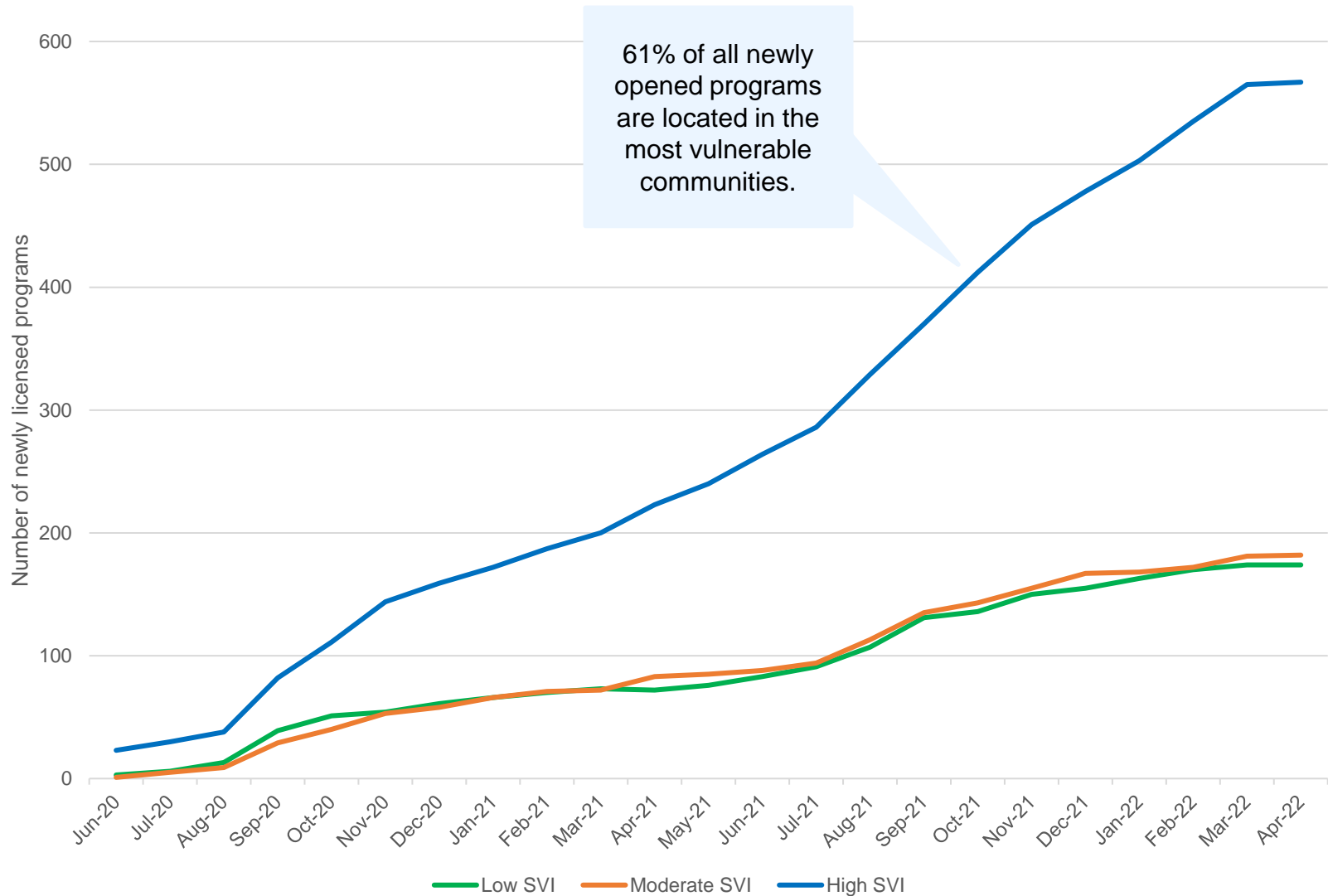
Reopened Programs by Region



	# programs (March 2020)	# programs reopened and currently licensed	% reopened since March 2020	# reopened and newly licensed programs (currently licensed)	% capacity as of March 2020
Central	1675	1361	81%	1540	92%
Metro Boston	1724	1444	84%	1642	95%
Northeast	1959	1600	82%	1812	92%
SE & Cape	1565	1251	80%	1432	92%
Western	1254	984	78%	1137	91%



Newly Licensed Programs by SVI





Newly Licensed Programs by Program Type and Size

