

Commonwealth of Massachusetts Department of Early Education and Care

Board of Early Education & Care – November Meeting

November 13, 2024

Agenda

Routine Business

- Approval of Minutes from October 11, 2024 Meeting – **VOTE**

Items for Discussion and Action

- “An Economic Analysis of the Child Care and Early Education Market in Massachusetts”
 - Dr. Jeffrey Liebman, Director of the Rappaport Institute and Robert W. Scrivner Professor of Social Policy, Harvard Kennedy School of Government
- Fiscal Year 2026 EEC Board Budget Priorities
- Literacy Launch & Early Literacy Priorities
- 2024–25 Cost Research and Cost Modeling: Phase 1 Findings and Implications
 - Dr. Amanda Danks, Principal Investigator and Project Director, American Institutes for Research
 - Dr. Maya Escueta, Cost Model Lead, American Institutes for Research

1

“An Economic Analysis of the Child Care and Early Education Market in Massachusetts”



An Economic Analysis of the Child Care and Early Education Market in Massachusetts

Rappaport Institute of Greater Boston Research Initiative



Jeffrey Liebman

*Director of the Taubman Center for
State and Local Government and
Robert W. Scrivner Professor of
Social Policy, Harvard Kennedy
School of Government*

Please refer to addendum slides on the website for Professor Liebman's presentation.

A background image featuring a collection of colorful wooden blocks in shades of red, yellow, blue, and green. One red block is prominently placed in the center foreground, standing upright. Other blocks are scattered around it, some standing and some lying flat, creating a sense of depth and playfulness. The lighting is bright and even, highlighting the natural wood grain and the vibrant colors of the paint.

② Fiscal Year 2026 Budget Priorities

Proposed FY26 Budget Priorities

Building on the agency's Strategic Objectives, the Board of Early Education and Care's recommendations are to support work across these objectives to support the needs of families, educators and programs.



FAMILY ACCESS

Families have equitable access to quality and affordable early education and care in the communities in which they live, learn, and work.



PROGRAM QUALITY

Programs licensed or funded by EEC support children's health and safety and provide high quality environments that are culturally responsive, inclusive, and support children's learning and development in partnership with families.



PROGRAM STABILITY

Programs licensed or funded by EEC are operationally stable and financially sustainable.



WORKFORCE SUPPORTS

A diverse field of educators, leaders, and program staff is competitively compensated and supported by clear professional pathways that promote quality, retention, and advancement.



AGENCY INFRASTRUCTURE

EEC has sufficient internal capacity, organizational structures, and diverse perspectives and expertise to carry out its mission and strategic objectives.

Proposed FY26 Budget Priorities

FAMILY ACCESS



- Expand and improve access to care through Child Care Financial Assistance (CCFA).
- Continue to support expanded access to preschool through the Commonwealth Preschool Partnership Initiative (CPPI)
- Support Family, Friend, and Neighbor (FFN) Care

PROGRAM STABILITY



- Continue to support and refine Commonwealth Cares for Children (C3)
- Continue work to move CCFA rate structure to reflect the true cost of care for programs
- Explore opportunities to maintain or expand capital investment and facility improvement opportunities

PROGRAM QUALITY



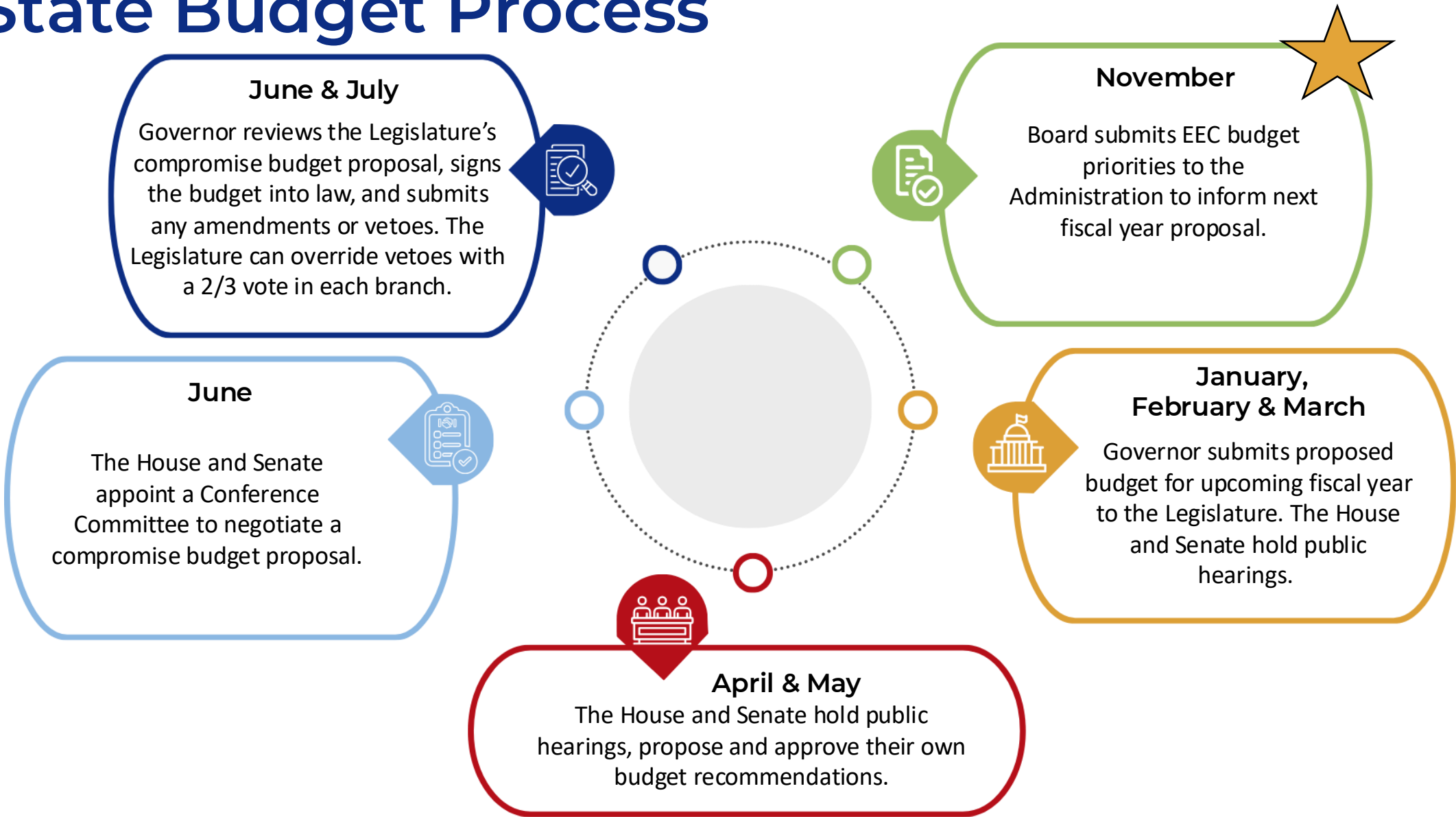
- Sustain investment in Literacy Launch and the collaborative work with the Department of Elementary and Secondary Education (DESE) to improve literacy outcomes for young learners
- Expand access to behavioral and mental health supports

WORKFORCE SUPPORT



- Continue to invest in supported pathways to promote recruitment and retention into the early education and care workforce
- Continue and expand access to Child Care Financial Assistance for Early Education and Care Staff

State Budget Process



Board of Early Education and Care FY26 Budget Priorities Memo

Massachusetts General Law Chapter 15D, Section 4 requires that the Board of Early Education and Care to "... shall review and make recommendations regarding the budget to the secretary [of Education]" for consideration during the Fiscal Year 2026 budget development process.

The Department of Early Education and Care ("Department") recommends that the Board approve and adopt these priorities for the Fiscal Year 2026 budget, as specified by the Commissioner, for the Secretary of Education's consideration.

MOVED: That, in accordance with G.L. c. 15D, § 4, hereby approves and adopts the Department's priorities for the Fiscal Year 2026 budget and will submit budget recommendations to the Secretary of Education.

A background image of numerous colorful wooden blocks (red, yellow, blue, green) scattered on a white surface. A prominent red block stands upright in the center foreground, with a green block and a yellow block positioned directly beneath it. The other blocks are blurred in the background.

3

Literacy Launch & Early Literacy Priorities



Literacy Launch & Early Literacy Priorities



Jennifer Crandell

Early Literacy Practice Specialist

Massachusetts Department of Early Education and Care



Katherine Tarca

Literacy & Humanities Director,

Massachusetts Department of Elementary and Secondary Education

Literacy Launch: Reading Success from Age 3 through Grade 3

In September 2024, the Healey-Driscoll Administration joined educators, students, local officials, and our legislative partners to celebrate the kick-off of this multi-year initiative to improve early literacy across the Commonwealth.



Highlights

- Funded at \$20 million.
- Partnership between the Executive Office of Education, Department of Elementary and Secondary Education, and Department of Early Education and Care
- Increases access to high-quality, evidence-based reading instruction through literacy materials, technical support, coaching and professional development for educators

EEC Early Literacy Priorities

1

Emphasis on developmentally appropriate, culturally and linguistically sustaining, play-based, and evidence-based early language and literacy practices (Birth to Five)

2

Integrating attention to early language and literacy content in key agency initiatives

- **Credential** – including effective practices to support language and literacy development at all levels of competencies
- **Quality** – build a curriculum review process that identifies curriculum with particularly strong supports for language and literacy development

3

Collaboration with DESE on joint initiatives

- Integrate effective supports for language and literacy instruction through curriculum selection and coaching offered in CPPI districts
- Coordination in launching the PRISM grant to support districts in including EEC-licensed programs in attention to high quality literacy instruction

Literacy Launch: PRISM I Grant

- Intensive support for up to 5 years
- Up to 20 districts and/or charter schools, depending on size
 - 2 community-based preschool partners
- Conditions for Success
 - Using high-quality instructional materials for literacy in grades K-3
 - Recent emphasis on early literacy
 - Commitment to early literacy improvement from key constituencies including school committee, principals, and teachers
 - Steps to address early literacy achievement disparities



November 13, 2024

15

dese

LITERACY



PRISM I Competitive Priorities

- Below-average overall proportion of students meeting expectations on 2024 grade 3 ELA/Literacy MCAS
- Recent substantial increase in newcomer enrollment
- Fewer than 1,000 students enrolled in grades K-3
- A dual-language program or school
- Chronically underperforming designation



November 13, 2024

16

dese

LITERACY



A background image of numerous colorful wooden blocks (red, yellow, blue, green) scattered on a white surface. A dark red horizontal banner is overlaid across the middle of the image, containing the title text. The number '4' is enclosed in a yellow circle on the left side of the banner.

4

2024–25 Cost Research and Cost Modeling: Phase 1 Findings and Implications



2024–25 Cost Research and Cost Modeling

Phase 1 Findings and Implications

Amanda Danks, Principal Investigator and Project Director | Maya Escueta, Cost Model Lead
adanks@air.org | mescueta@air.org

November 2024

Agenda

1. Background and Context
2. Overview of 2024–25 Cost Research and Cost Modeling Scope of Work
3. Phase 1 Methodology
4. Phase 1 Findings
5. Phase 1 Recommendations
6. Next Steps: Phase 2

Background and Context

Background

- 2022–2023
 - Massachusetts Department of Early Education and Care (EEC) worked with a research partner, the Center for Early Learning Funding Equity (CELFE), to analyze tuition rates (often called market rates) charged to families across Massachusetts and develop cost estimation models.
- Fall 2023
 - EEC used findings from both the market rate study and the cost models to inform changes and increases to child care financial assistance rates for different program types, ages served, and geographic regions.
- Early 2024
 - EEC received approval from the federal government to use an alternative cost-based methodology to inform child care financial assistance rates moving forward.
- Spring 2024
 - EEC partnered with AIR to update and refine cost models to inform future changes to child care financial assistance rates and other investments, like C3, to support program stability and sustainability.

Overview of 2024–25 Cost Research and Cost Modeling Scope of Work

Study Goals

- Update, refine, and expand the state's child care cost models in two phases.
- Continue to focus on both cost of current care and cost of aspirational care including increased compensation.
- Engage external stakeholders including early education and care programs throughout the project.
- Produce and disseminate accessible reports and other deliverables that meet the needs of EEC and broader audiences.



What Is a Cost Model?

- Estimates the per-child cost to operate a child care program, by different program types, regions, ages of children served, and other program characteristics.
 - This is not the same as what programs *charge* for care (tuition).
 - This is not the same as a *budget* (a spending plan that does not typically include volunteered/donated resources).
- Represents the most typical classroom and staffing configurations of early education and care programs.
 - Will not represent the unique configurations of *every* program.
- Findings from cost models can be used to inform state-level funding and policy decisions.

Key Terms



Input

- Each individual resource used in the provision of child care, in both the *Cost of Current Care* and *Cost of Aspirational Care* models



Price

- The dollar amount that represents the value of an input



Cost

- The price of resources multiplied by the quantity of resources
- Represents the value of all resources in a cost model



Assumptions

- A simplified belief around what is reasonable about resource quantities, classroom configuration, resources needed, prices, etc.

Sample Cost Model (Simplified)

Cost Inputs	Child Care Center Costs			Family Child Care Costs		
	Salary	Benefits	PTO	Salary	Benefits	PTO
Personnel Costs						
Center Director	\$	\$	\$	—	—	—
Owner/Operator	—	—	—	\$	\$	\$
Lead Teacher	\$	\$	\$	—	—	—
Assistant Teacher	\$	\$	\$	\$	\$	\$
Program Administrator	\$	\$	\$	—	—	—
Other personnel	\$	\$	\$	\$	\$	\$
Total Personnel Costs	\$			\$		
Materials & Equipment						
Furniture	\$			\$		
Curricula	\$			\$		
Assessments	\$			\$		
Toys & Books	\$					
Other materials & equipment	\$			\$		
Total Materials & Equipment Costs	\$			\$		
Facilities						
Rent	\$			\$		
Utilities	\$			\$		
Insurance	\$			\$		
Other facility costs	\$			\$		
Total Facilities Costs	\$			\$		
Other Program Inputs						
Other	\$			\$		
Total Other Program Costs	\$			\$		
Total Costs	\$			\$		

Examples of Cost Model Inputs

- Staff compensation
 - Salary and benefits
- Materials and equipment
 - Curricula, assessments, etc.
- Facilities
 - Rent, electricity, etc.
- Enrollment and enrollment as a percentage of licensed capacity
- Services for children with special needs
- Hours of care provided
- Revenue sources and amounts
 - Tuition payments, child care financial assistance (CCFA), and additional funding streams such as C3



Study Phases

Phase 1 May 2024–December 2024

- Revisit 2022 cost model assumptions and inputs.
- Engage with stakeholders, including educators.
- Update 2022 cost model prices for every input.
- Estimate per-child costs by region, program type, and age.

Phase 2 October 2024–June 2025

- Make additional refinements to model assumptions and structure.
- Increase focus on school-aged care estimates.
- Explore cost inputs for informal care settings.
- Explore how comprehensive services can be represented in the models.
- Make additional updates to the cost of aspirational care model.
- Continue to engage with key stakeholders and early education and care programs.

Phase 1 Methodology

Methodology for Cost Model Updates

- We updated the three cost models developed in 2022:
 - Two center-based models: current cost of care and aspirational cost of care
 - One FCC model: hybrid of current costs and aspirational compensation
- The ingredients approach (Levin et al., 2018) was used to estimate the value of the resources used to provide early education and care across Massachusetts.
- All 2022 model prices were adjusted to 2024 dollars.
- When possible, multiple data sources were triangulated to arrive at the best price estimate.

Data Sources Used for Phase 1 Cost Model Updates

C3 Data

- Information about current wages and facility costs

Input From External Stakeholders

- Program interviews
- Listening sessions
- EEC Advisory Council

Provider Cost of Quality Calculator (PCQC)

- Prices for materials, food, and equipment; rental and utilities costs

Other Extant Data Sources (Examples)

- Bureau of Labor Statistics, commercial real estate database, Massachusetts Department of Economic Research

Main Updates: Prices

All prices updated to July 2024 dollars

- Every original data source in the models was reviewed to update prices.
- When data sources did not provide prices in 2024 dollars, prices were adjusted for inflation using the national Consumer Price Index.
- Multiple data sources were reviewed, and in most cases, a conservative approach was selected.
 - “Conservative” in cost modeling refers to using the higher input (quantity or price) to generate an upper bound estimate of cost.
 - » The goal is to avoid *underestimating* costs.

Changes in Assumptions: Facilities Pricing

- Triangulated information on rental prices for child care centers from multiple data sources.
- Adjusted approach for assigning regional rental prices: Shifted from using the least expensive region as the base to using the most expensive region as the base.
 - These shifts are more in line with what other data sources on rental prices showed.

	Western	Central	Northeast	Metro	Southeast	Metro Boston
Regionalization Factor	100%	107%	131%	134%	119%	141%
2022 cost model assumption: price per sq ft	\$17.00	\$18.19	\$22.27	\$22.78	\$20.23	\$23.97
Previous method with 2024 prices: Price per sq ft	\$29.00	\$31.03	\$37.99	\$38.86	\$34.51	\$40.89
Our adjusted method with 2024 prices: Price per sq ft	\$20.57	\$22.01	\$26.94	\$27.56	\$24.48	\$29.00

Changes in Assumptions: Facilities Pricing

Triangulated information on rental prices for child care centers from multiple data sources.

- Adjusted approach for assigning regional rental prices: Shifted from using the least expensive region as the base to using the most expensive region as the base.
 - These shifts are more in line with what other data sources on rental prices showed.

Previous approach:
71% increase



Our approach:
21% increase



	Western	Central	Northeast	Metro	Southeast	Metro Boston
Regionalization Factor	100%	107%	131%	134%	119%	141%
2022 cost model assumption: price per sq ft	\$17.00	\$18.19	\$22.27	\$22.78	\$20.23	\$23.97
Previous method with 2024 prices: Price per sq ft	\$29.00	\$31.03	\$37.99	\$38.86	\$34.51	\$40.89
Our adjusted method with 2024 prices: Price per sq ft	\$20.57	\$22.01	\$26.94	\$27.56	\$24.48	\$29.00

Other Changes in Assumptions

- **Staff paid time off:**
 - Increased staffing levels to reflect some paid time off for all center-based classroom staff.
- **Program reserves:**
 - Included a higher margin (or % reserves) in the aspirational model for center-based programs, which reflects the average margin of child care businesses over time from an industry-level report on child care providers.

Phase 1 Findings

Summaries by Region and Age

Notable Cost Increases From 2022 to 2024

- The cost of care per child for center-based programs increased between **14%** and **26%** between 2022 and 2024, depending on the region and age group served.
- The cost of care per child for family child care (FCC) programs increased between **12%** and **19%** between 2022 and 2024, depending on the region and age group served.
- The percent change in per child costs from 2022 to 2024 did not vary significantly across regions.

Drivers of Cost Increases From 2022 to 2024

For centers, these increases came from notable changes in prices from 2022 to 2024, particularly in wages, facilities, and food.

- Wages increased by 7%–9%, depending on the region.
- Food prices increased by nearly \$1,000 per child annually from 2022 to 2024: \$3.83 per child per day.
- Facilities costs increased between 28% and 29%, depending on the region.

For FCC providers, increases in costs were a combined result of increases in wages, prices for facilities, food, and materials and equipment.

2024 Per-Child Daily Costs and Percentage Increase from 2022 for Centers, by Age and Region

Region	Infant	Toddler	Preschool	School-Age (Full Day)	School-Age (Before & After)
Western	\$134 (+16%)	\$105 (+17%)	\$57 (+22%)	\$44 (+21%)	\$39 (+26%)
Central	\$137 (+16%)	\$107 (+16%)	\$58 (+21%)	\$45 (+20%)	\$40 (+25%)
Northeast	\$147 (+17%)	\$114 (+17%)	\$61 (+20%)	\$47 (+23%)	\$41 (+25%)
Metro	\$154 (+15%)	\$120 (+15%)	\$64 (+19%)	\$49 (+18%)	\$43 (+23%)
Southeast	\$140 (+17%)	\$110 (+18%)	\$59 (+21%)	\$45 (+20%)	\$39 (+21%)
Metro Boston	\$156 (+14%)	\$122 (+15%)	\$65 (+19%)	\$49 (+20%)	\$43 (+24%)

Note. The daily per-child rate and the percentage increase from the 2022 model are displayed in each cell.

2024 Per-Child Daily Costs and Percentage Increase From 2022 for Centers, by Age and Region

Larger percentage increases in preschool and school-aged children come from large increases in per-child costs, such as food.

Region	Infant	Toddler	Preschool	School-Age (Full Day)	School-Age (Before & After)
Western	\$134 (+16%)	\$105 (+17%)	\$57 (+22%)	\$44 (+21%)	\$39 (+26%)
Central	\$137 (+16%)	\$107 (+16%)	\$58 (+21%)	\$45 (+20%)	\$40 (+25%)
Northeast	\$147 (+17%)	\$114 (+17%)	\$61 (+20%)	\$47 (+23%)	\$41 (+25%)
Metro	\$154 (+15%)	\$120 (+15%)	\$64 (+19%)	\$49 (+18%)	\$43 (+23%)
Southeast	\$140 (+17%)	\$110 (+18%)	\$59 (+21%)	\$45 (+20%)	\$39 (+21%)
Metro Boston	\$156 (+14%)	\$122 (+15%)	\$65 (+19%)	\$49 (+20%)	\$43 (+24%)

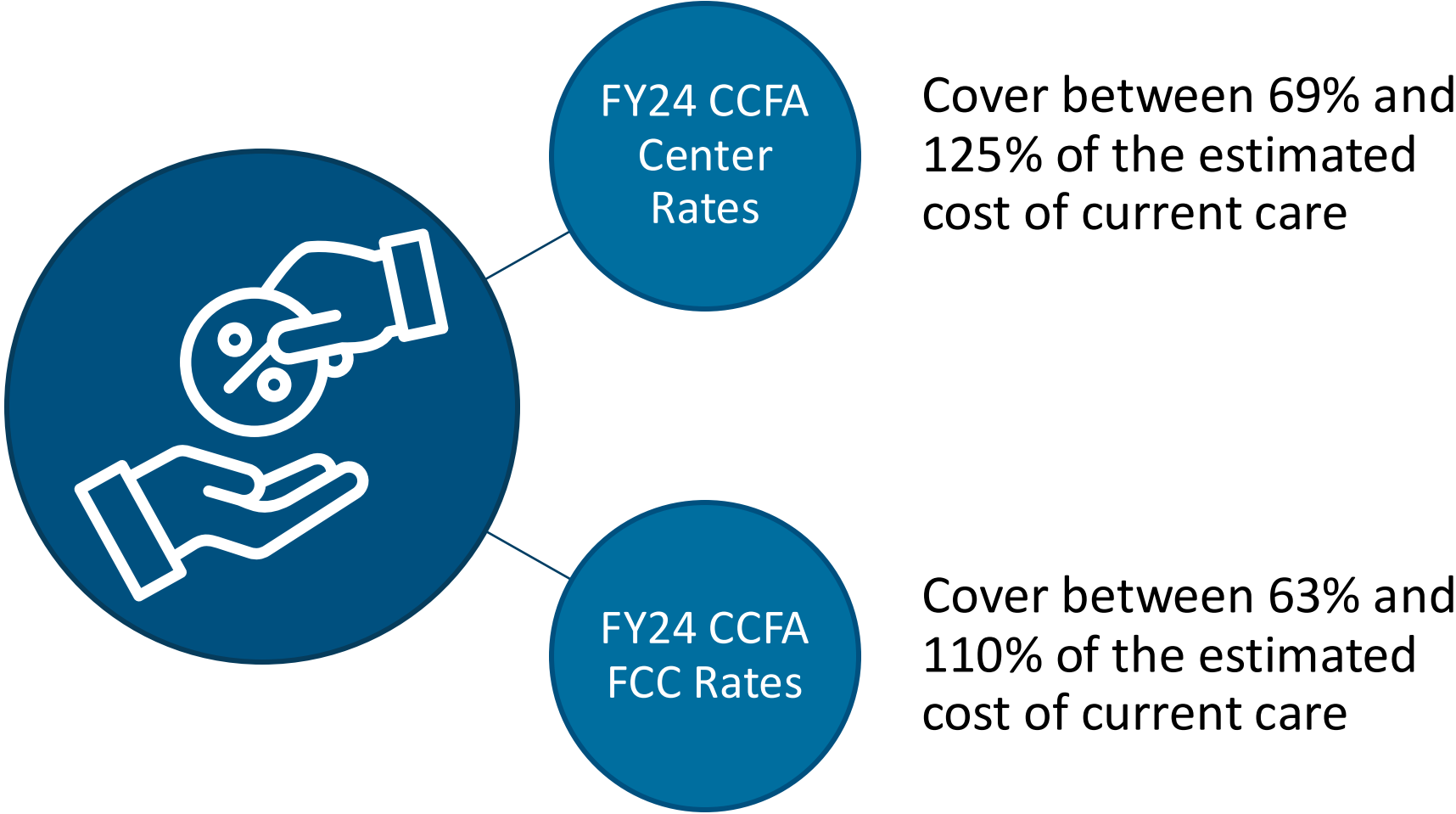
Note. The daily per-child rate and the percentage increase from the 2022 model are displayed in each cell.

2024 Per-Child Daily Costs and Percentage Increase From 2022 for FCCs, by Age and Region

Region	Under 2	Over 2	School-Age (Full Day)	School-Age (Before & After)
Western	\$67 (+14%)	\$67 (+14%)	\$67 (+18%)	\$40 (+18%)
Central	\$68 (+12%)	\$68 (+12%)	\$68 (+15%)	\$41 (+15%)
Northeast	\$74 (+13%)	\$74 (+13%)	\$73 (+16%)	\$44 (+17%)
Metro	\$80 (+14%)	\$80 (+14%)	\$79 (+17%)	\$47 (+17%)
Southeast	\$69 (+13%)	\$69 (+13%)	\$69 (+17%)	\$41 (+17%)
Metro Boston	\$84 (+16%)	\$84 (+16%)	\$83 (+19%)	\$50 (+19%)

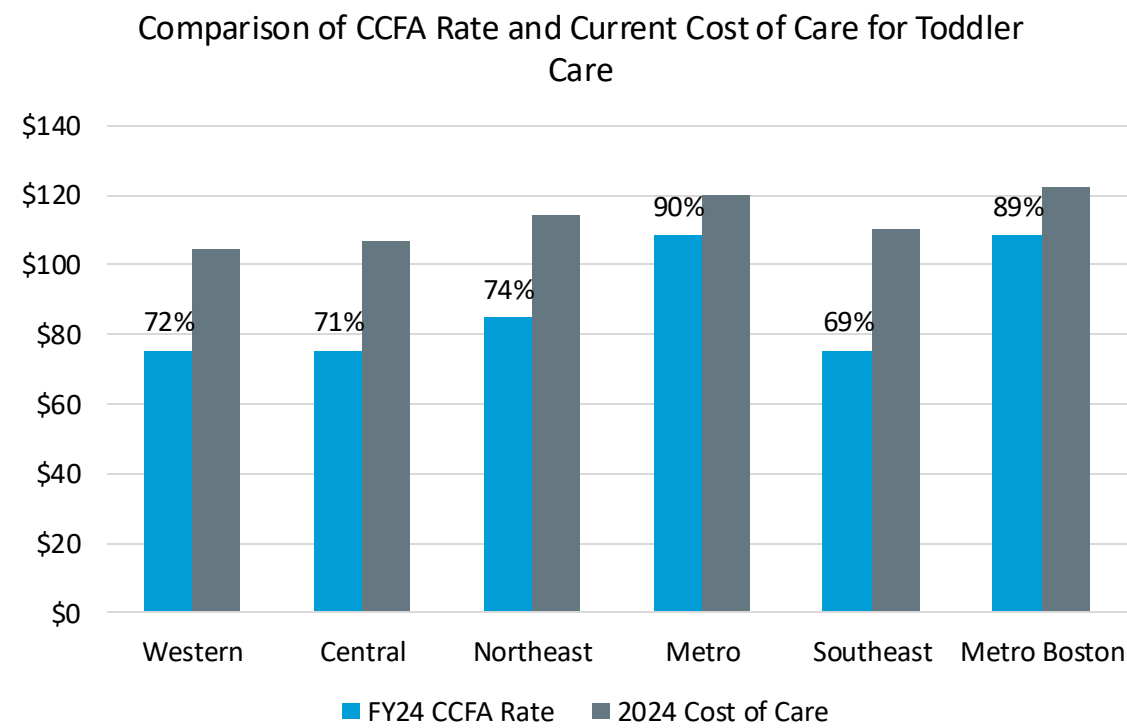
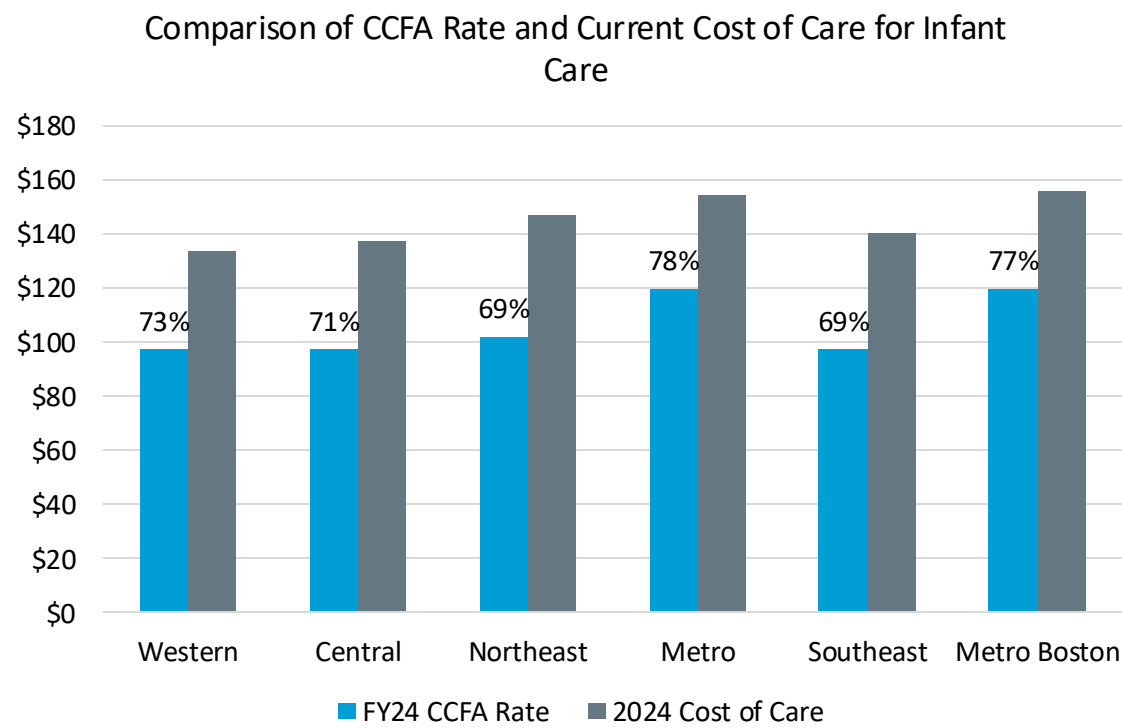
Note. The daily per-child rate and the percentage increase from the 2022 model are displayed in each cell.

FY24 CCFA Rates Compared to 2024 Estimated Cost of Care



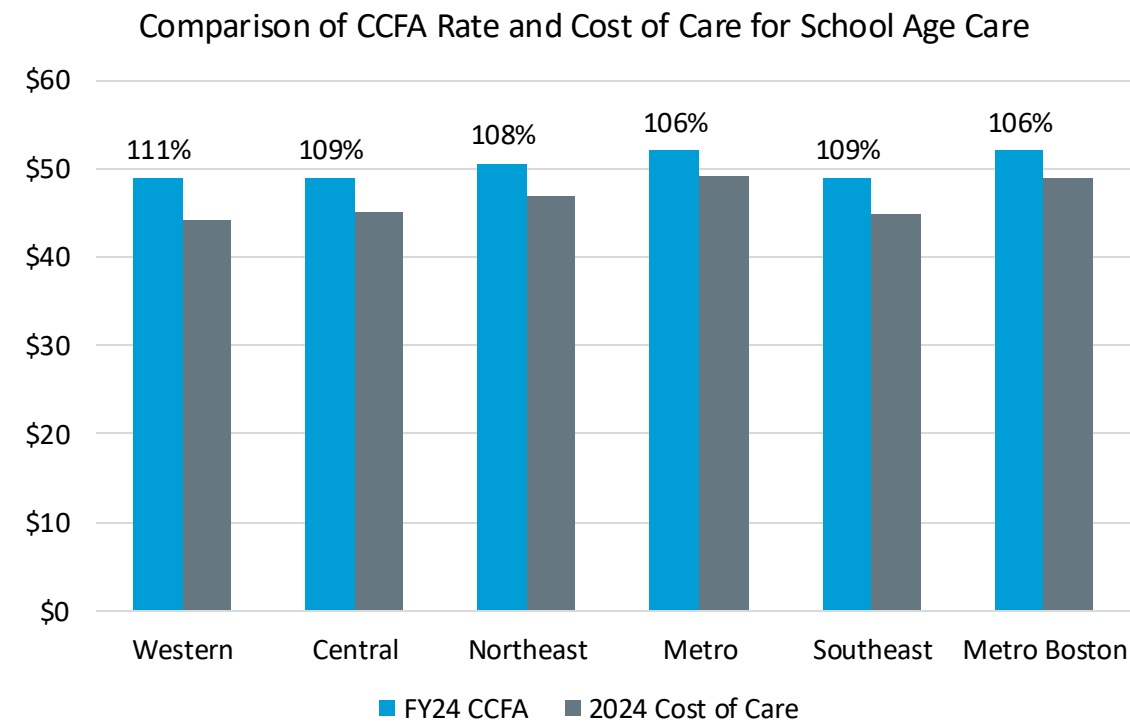
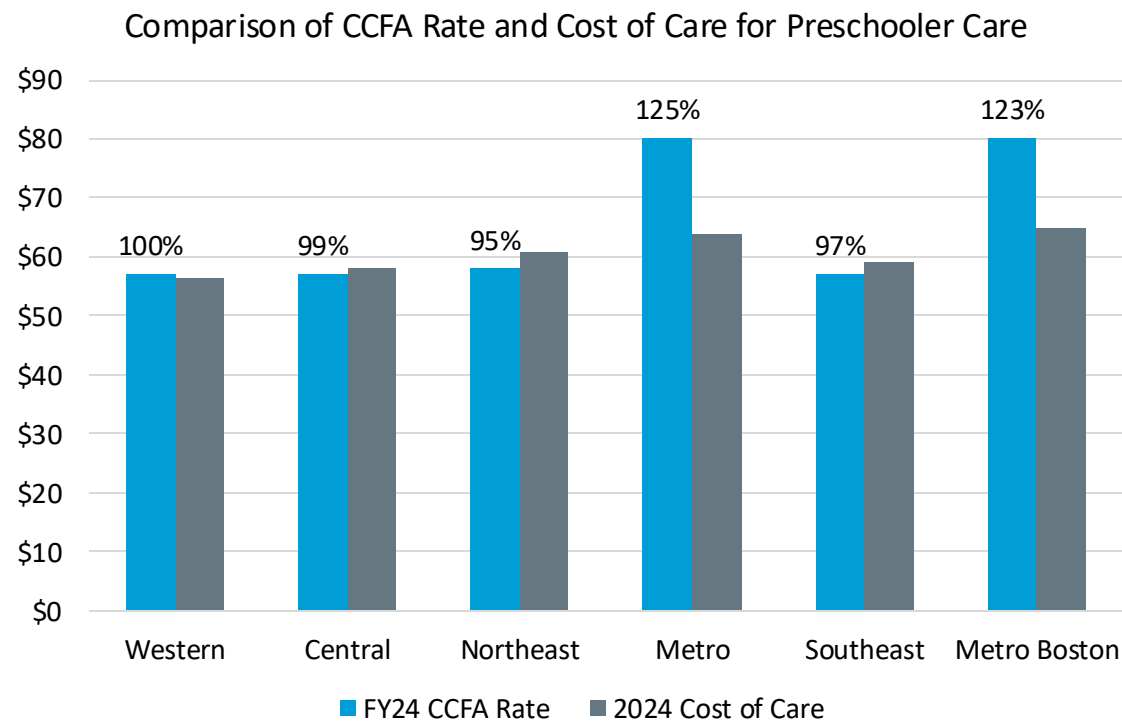
FY24 CCFA Rates Compared to 2024 Estimated Cost of Care for Centers: Infants and Toddlers

The biggest gaps between FY24 CCFA rates and 2024 estimated cost of care are in the infant and toddler age groups in centers.



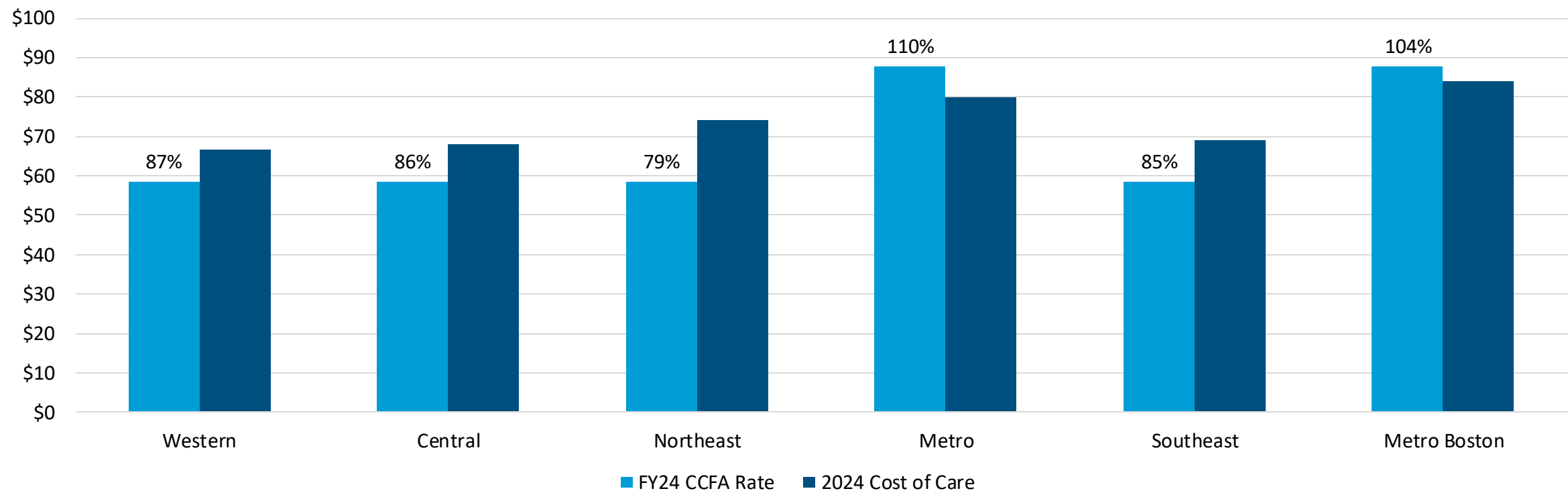
FY24 CCFA Rates Compared to 2024 Estimated Cost of Care for Centers: Preschoolers and School-Aged Children

The FY24 CCFA rates fully cover the 2024 estimated cost of current care for **preschoolers** and **school-aged children** in some regions. We know that many programs use revenue from serving older children to help cover infant and toddler care costs and smooth tuition rates for families.



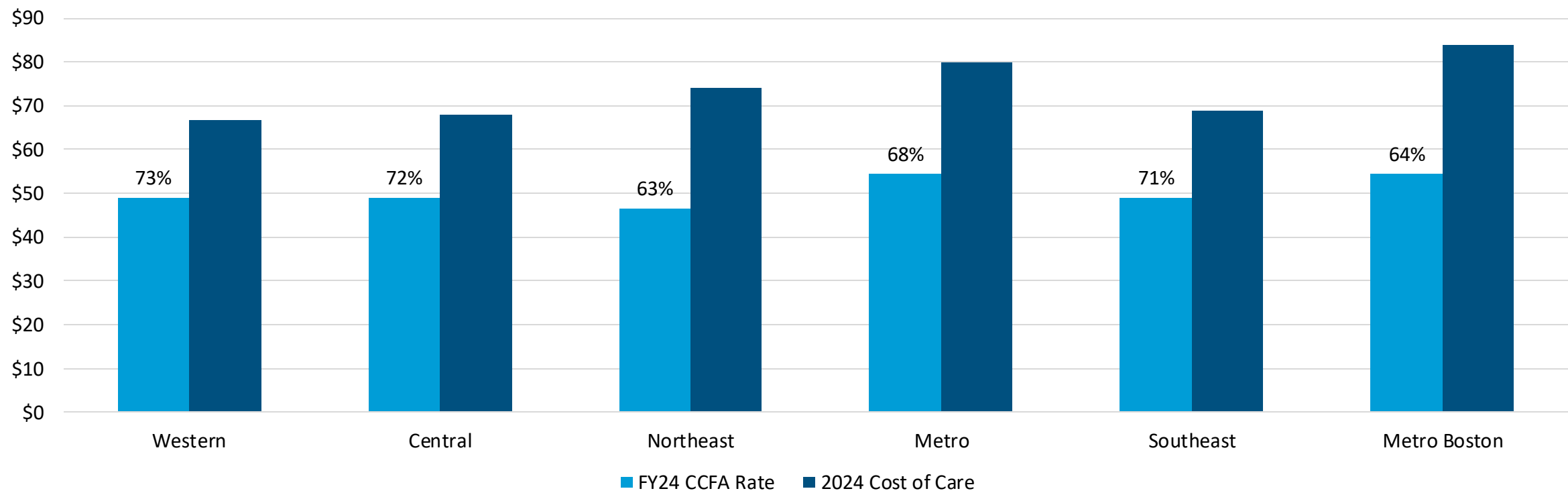
FY24 CCFA Rates Compared to 2024 Estimated Cost of Care for FCCs: Children Under 2 Years Old

FY24 CCFA FCC rates only fully cover the estimated cost of care for children under age 2 in the Metro and Metro Boston regions.



FY24 CCFA Rates Compared to 2024 Estimated Cost of Care for FCCs: Children Over 2 Years Old

In all regions, the FY24 CCFA rate for children over age 2 covers less than 75% of the estimated cost of care.



Phase 1 Recommendations

Recommendations for Using Updated Cost Models to Inform Future Rate Increases

- Use information from the 2024 cost models to target funds to the regions, settings, and age groups for which the gaps between the estimated cost of care and the FY24 CCFA rates are the largest.
 - Center-based infant and toddler and FCC over age 2 CCFA rates remain the furthest from the cost of care.
- Consider tuition rates as an additional benchmark for targeted CCFA rate increases.
- Initial analysis suggests that the regional alignment of certain CCFA rates in FY24 is consistent with the updated cost of care results.
- Explore the statistical differences between the per-child cost across regions to inform decisions around the rate structure.

Next Steps

Phase 2 Cost Model Updates and Expansion

Phase 2 Cost Model Updates and Expansion

- Continue to refine cost models
 - Refine the aspirational care model, including aligning roles and wage inputs with ongoing work to develop credentialing system and salary scale.
 - Review and refine existing staffing assumptions.
 - Further refine school-age care inputs and assumptions.
- Expand cost models
 - Further analyze costs based on additional variation in provider size, staffing structures, and ages served.
 - Explore transportation costs and cost inputs for informal care.
 - Consider demographics and additional needs of families served.

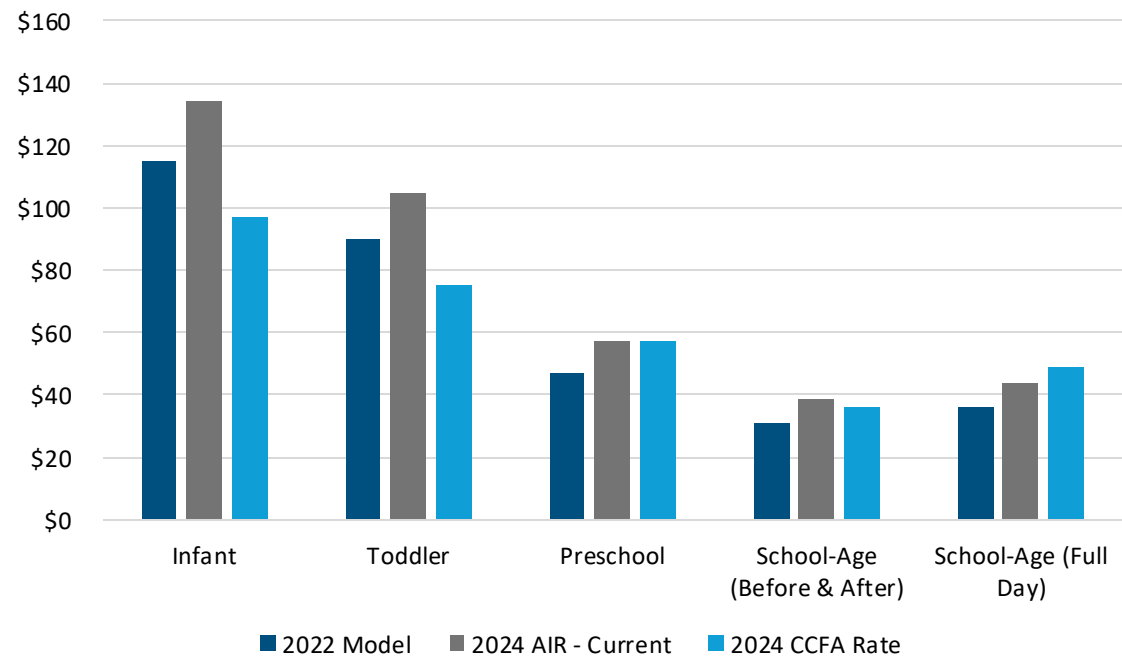
Appendix

Appendix

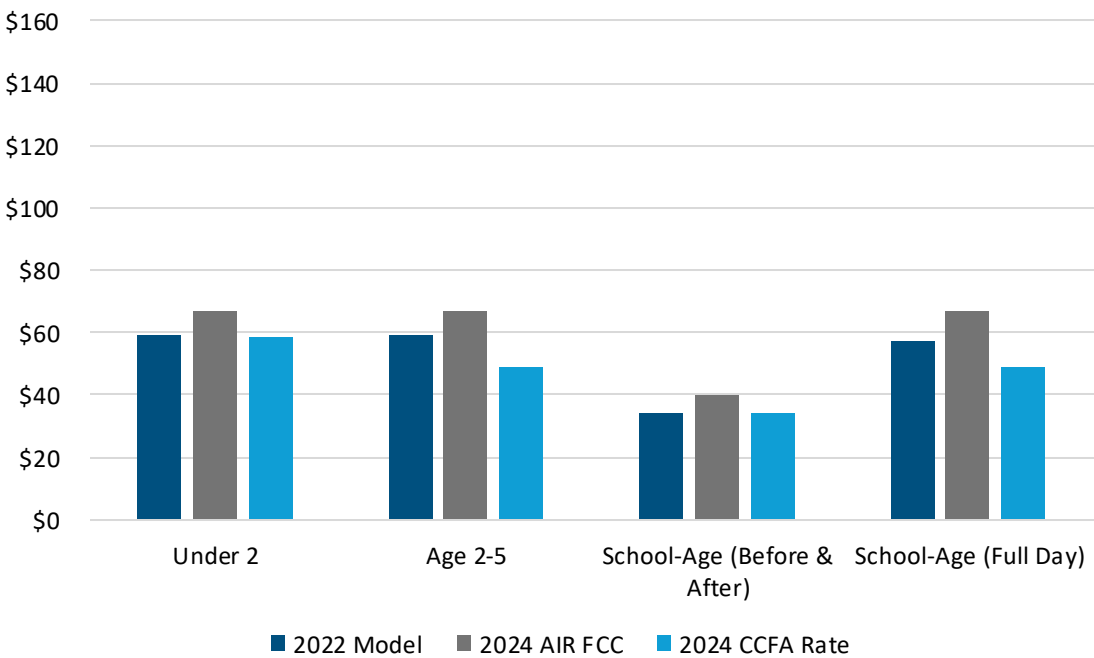
Comparison of 2022 Estimated Costs, 2024 Estimated Costs, and FY24 CCFA Rates, by
Region, Setting, and Age

Daily Per-Child Costs (2022 and 2024) Compared to Current CCFA Rates: Western Region

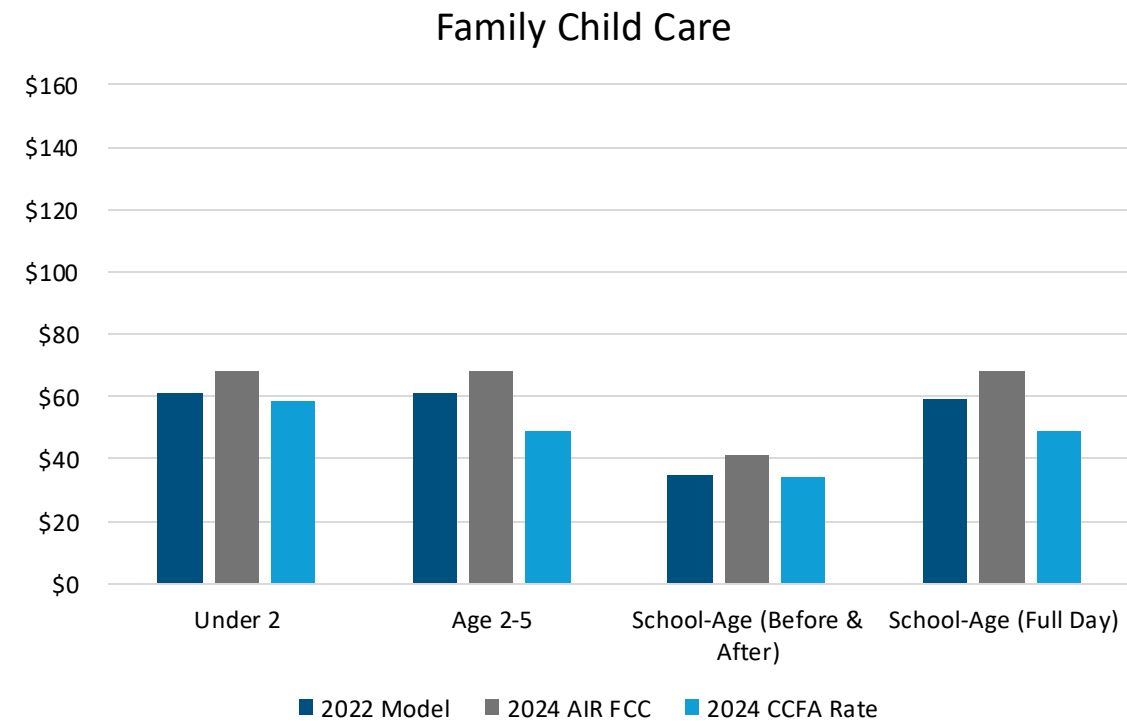
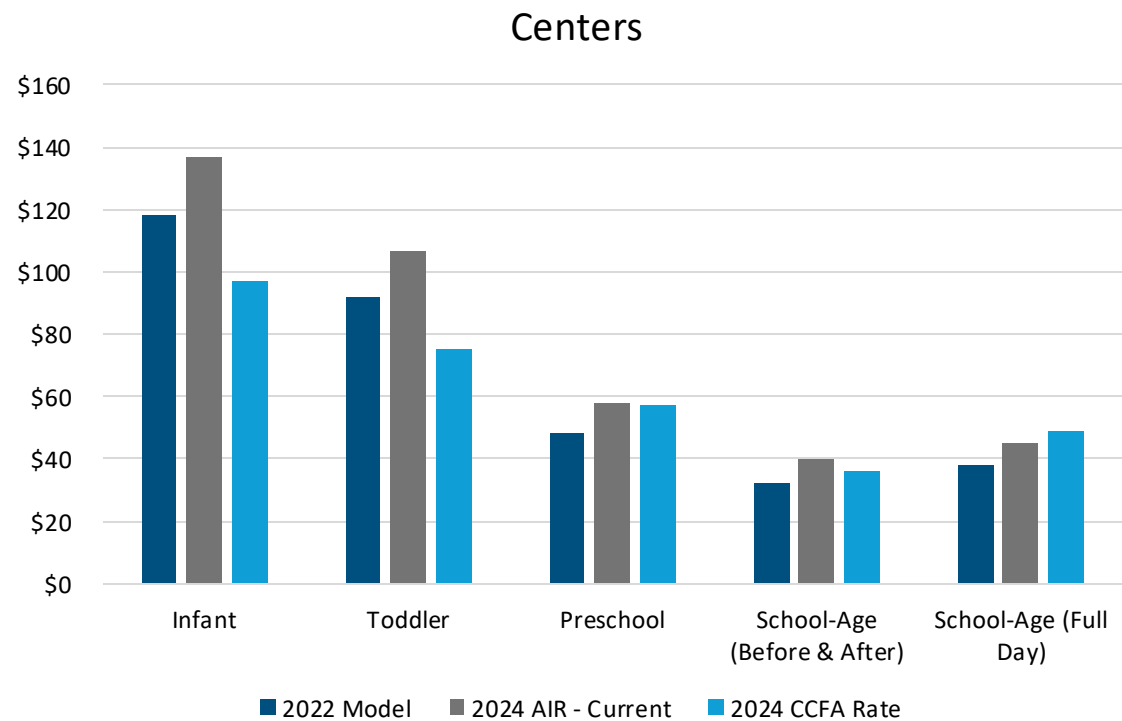
Centers



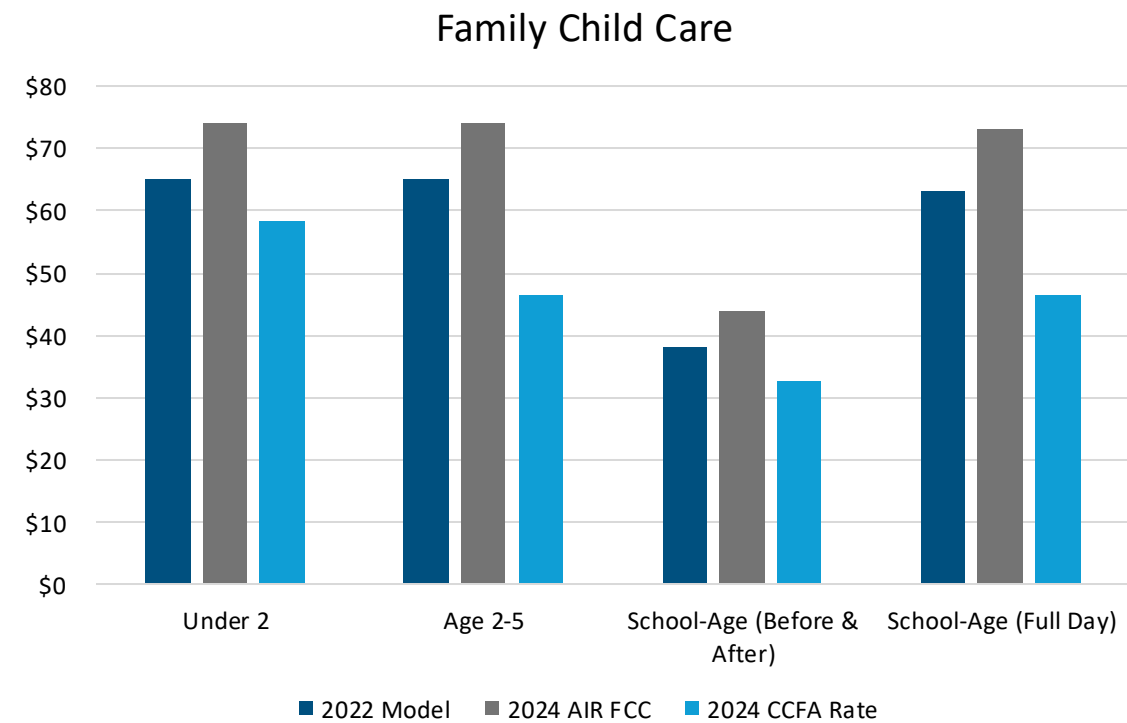
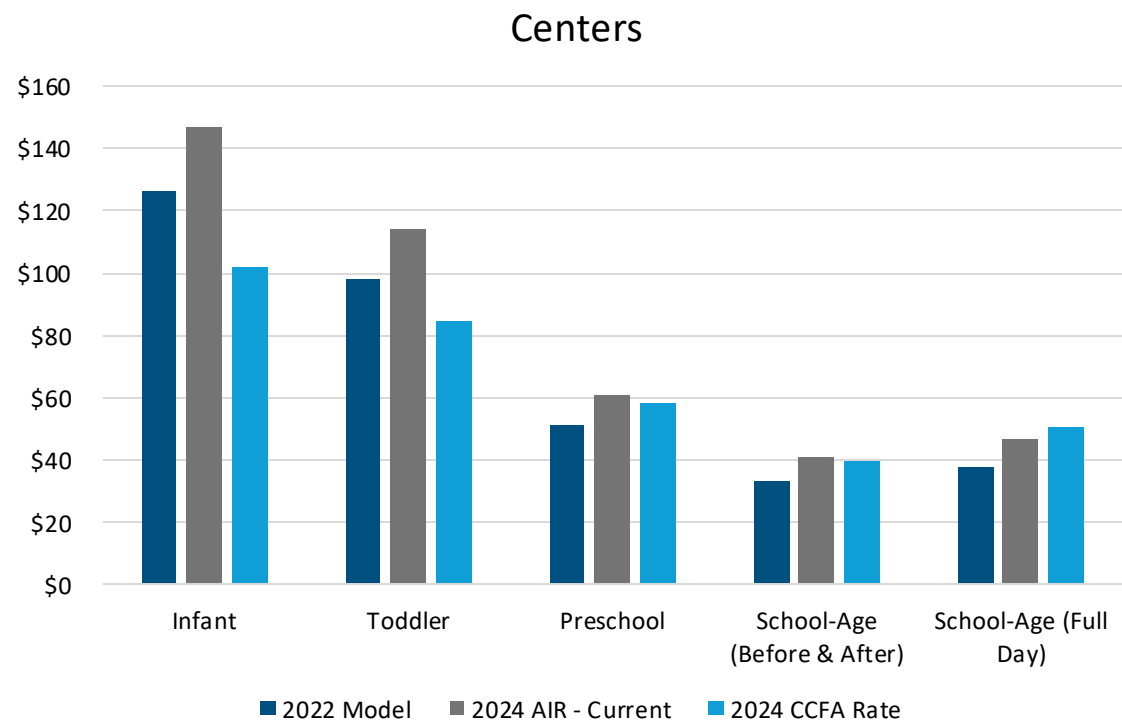
Family Child Care



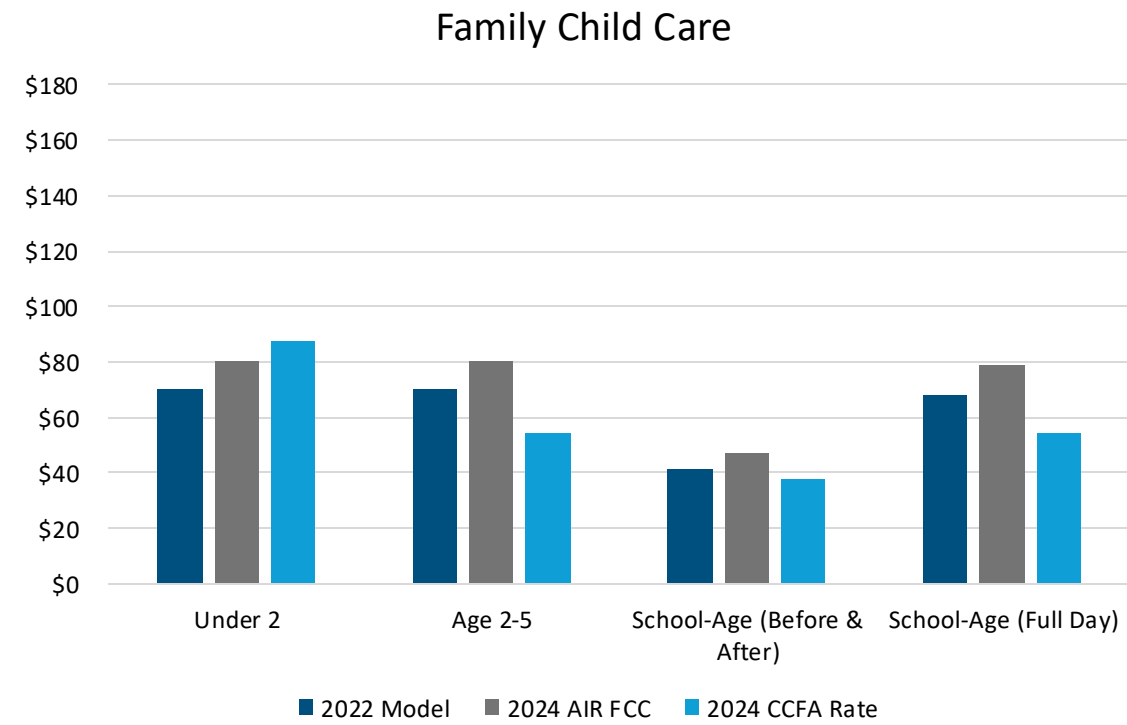
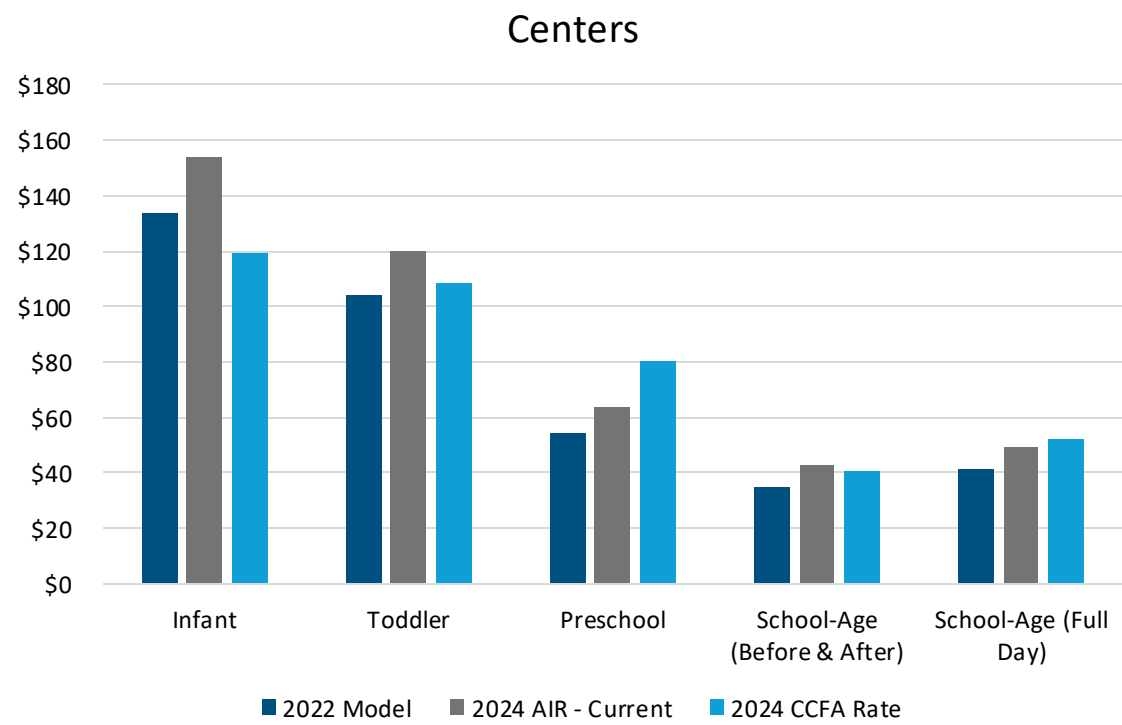
Daily Per-Child Costs (2022 and 2024) Compared to Current CCFA Rates: Central Region



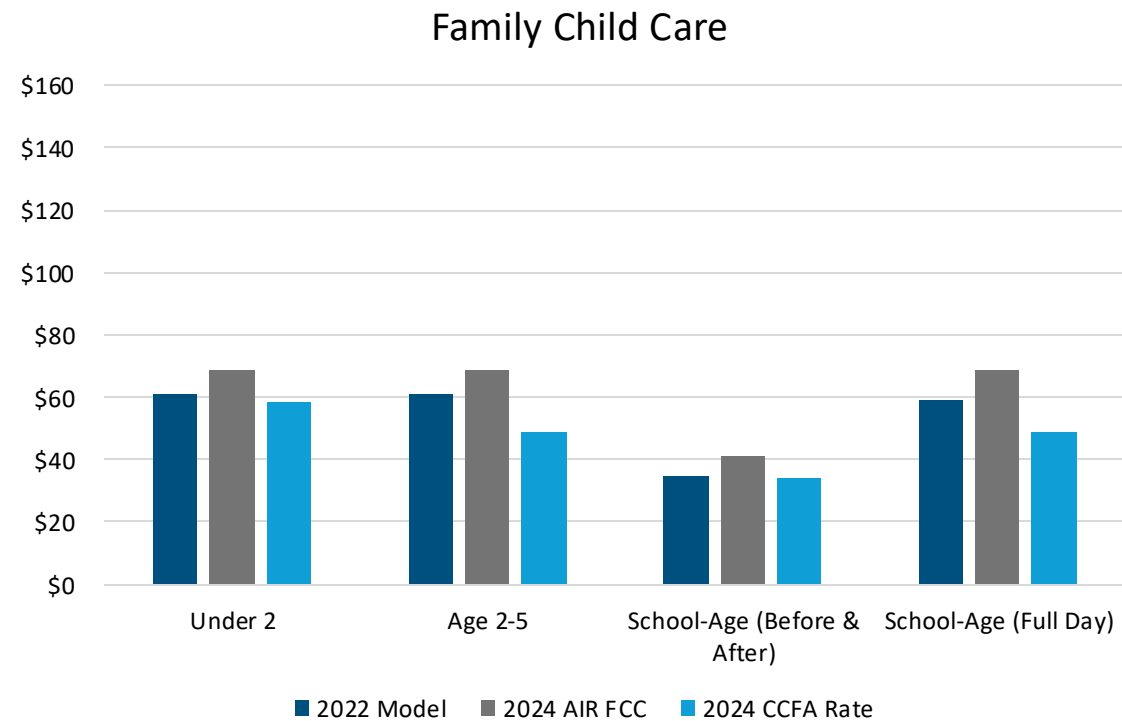
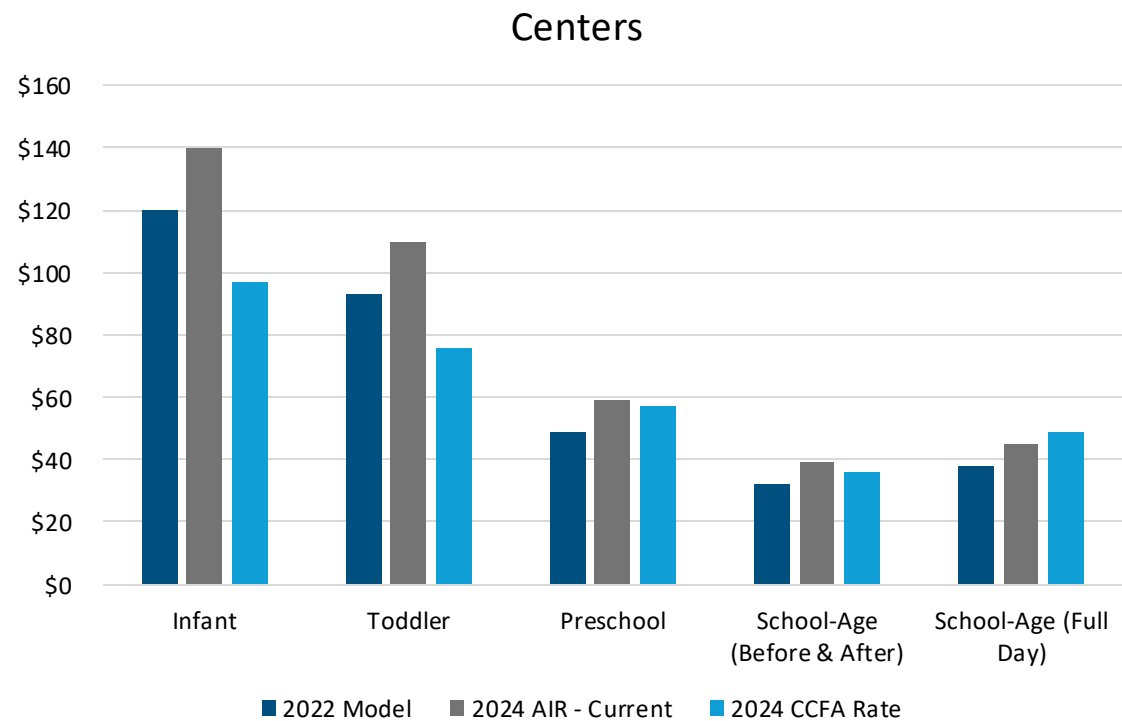
Daily Per-Child Costs (2022 and 2024) Compared to Current CCFA Rates: Northeast Region



Daily Per-Child Costs (2022 and 2024) Compared to Current CCFA Rates: Metro Region

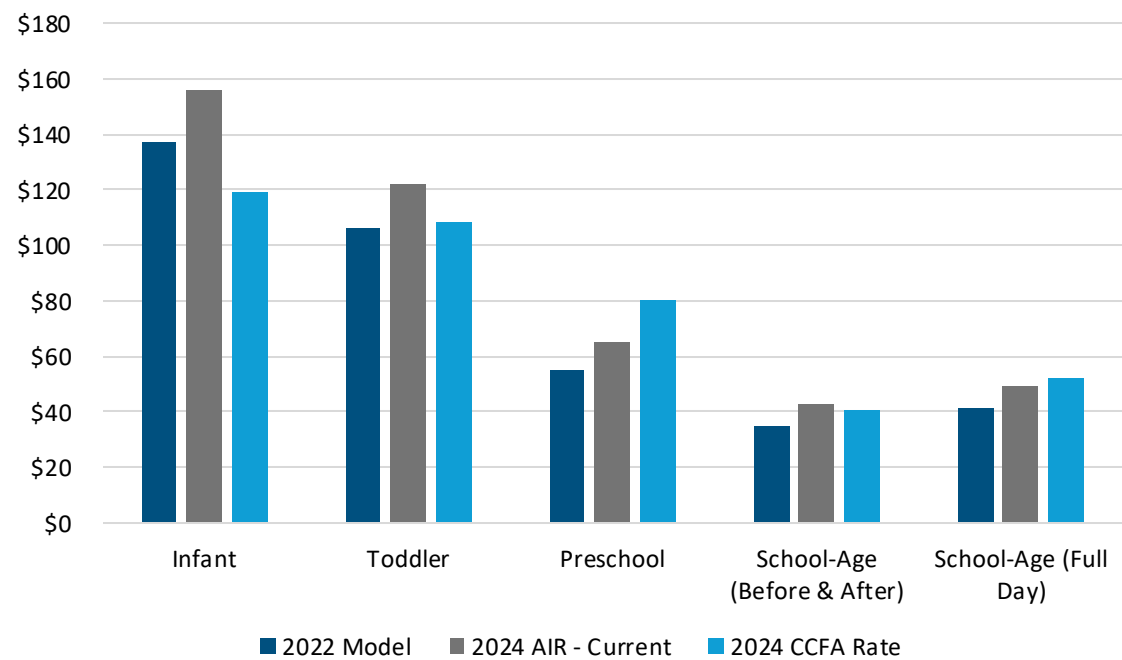


Daily Per-Child Costs (2022 and 2024) Compared to Current CCFA Rates: Southeast Region



Daily Per-Child Costs (2022 and 2024) Compared to Current CCFA Rates: Metro Boston Region

Centers



Family Child Care

