Commonwealth of Massachusetts
Department of Early Education and Care

Board of Early Education & Care – November Meeting

November 8, 2023

Agenda

Routine Business

- Approval of Minutes from October 11, 2023 Meeting – VOTE
- 2022 Annual Report - VOTE

Items for Discussion and Action

- FY24 Child Care Capital Investments Planning Overview
  - Early Education and Out-of-School Time (EEOST) Proposed Regulation Revisions -VOTE
- FY24 Child Care Financial Assistance – Reimbursement Rate Increases and Potential Reforms
  - Background and Context
- FY25 Budget Priorities



1 FY24 Child Care Capital Investments Planning Overview

EEOST Program Background and Overview

The Early Education and Out of School Time (EEOST) Capital Fund was created by An Act Financing the Production and Preservation of Housing for Low- and Moderate-Income Residents in November 2013 and reauthorized in October 2023.



- EEC is authorized to administer up to $50 million in funds for grants to develop eligible facilities for use in licensed Large Group and School Age Child Care Programs.
- EEC administers the EEOST program in partnership with Community Economic Development Assistance Corporation (CEDAC) and their affiliate, the Children's Investment Fund (CIF).
- At least 50% of the slots in the facility are required to serve low-income families who are eligible for child care financial assistance.
- EEC-licensed, center based not for profit programs are eligible.
- The Healey- Driscoll Administration allocated $10.8 million for the FY24 EEOST Capital Fund Grant Program, reflecting a $4 million annual increase for the program over the next 4 years.

Since 2013, the EEOST grant program has awarded over $58.5M to help fund 130 projects

$8.5 M Awarded for EEOST FY2023 Grants

Anticipated to impact 2,541 licensed slots

Organization	City/Town Served	Grant Amount
Greater Lawrence Community Action Council, Inc	Lawrence	$441,000
LEO, Inc	Lynn	$450,000
Sportsmen's Tennis & Enrichment Center	Boston	$500,000
YMCA of Greater Boston	Boston	$310,000
Attleboro Norton YMCA	Attleboro	$450,000
Guild of St. Agnes of Worcester, Inc - Gardner Center	Gardner	$500,000
Metro West YMCA	Framingham	$450,000
Pathways for Children, Inc.	Beverly	$500,000
Old Colony YMCA	Taunton	$450,000
Boston Chinatown Neighborhood Center, Inc.	Boston	$408,000
Boys & Girls Club Family Center	Springfield	$500,000
Cape Cod Children's Place, Inc.	North Eastham	$293,000
Chicopee Child Development Center	Chicopee	$500,000
Girls Club of Greenfield, Inc.	Greenfield	$445,000
Julie's Family Learning Program, Inc.	Boston	$245,000
Little Folks Community Day Care Center, Inc.	Boston	$333,000
Paige Academy	Boston	$500,000
Boys and Girls Club of Dorchester, Inc.	Boston	$499,000
South Shore Stars	Weymouth	$232,000
YMCA of the North Shore, Inc	Beverly	$500,000

Center-Based Program Improvements & Updates

Through program feedback, EEC and CIF are working to streamline and modernize the existing process, including:

For All Grants

- Allow electronic application submission and accept electronic signatures
- Expanding eligible use to incorporate security upgrades
- Focus on clean energy and decarbonization as part of the Administration's whole-of-government approach to addressing the climate crisis
- Priorities amended to further support geographic distribution and first-time applicants
- Reviewing grant closing procedures

For Smaller Scale Grants

- Allow applications for prior awardees
- Allow applications for multiple sites from the same organization
- Open applications to any program serving a high proportion of children receiving child care financial assistance (fair share funded only)

FY24 Child Care Facility Investment Planning

EEC will use both EEOST 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.

Coming Soon

Center-Based Facility Grants – Smaller Scale

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

Funding will be available through two separate applications, to account for the difference in eligibility requirements between the EEOST/CIP funded grants and "Fair Share" funded grants

Coming Later

Family Child Care

Issuing a Request for Information (RFI) to solicit feedback from organizations with experience supporting FCCs, such as FCC systems and small business loan organizations.

Center-Based Facility Grants – Larger Scale

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

All eligible programs will continue to be required to serve a high proportion of low-income children.

Developing FCC Capital Funding Opportunity

EEC is currently determining how best to support family child care programs through dedicated capital investments via a **Request for Information (RFI).**

Being posted shortly for feedback from organizations with experience supporting FCCs, such as FCC systems and small business loan organizations.

EEC is looking to identify:



How to best support effective capital project management



Necessary technical assistance



Ways to support home ownership and strong business management, including licensing, budgeting, marketing and program management

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 for public comment 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)

Regulatory Revision Timeline

Nov. 8	Present draft regulatory revisions for Board approval to post for public comment
Mid-Nov.–Mid-Dec.	Public Comment Period
Dec. Board Meeting	Present final regulatory revisions for Board approval and promulgation



2 FY24 Child Care Financial Assistance – Reimbursement Rate Increases and Potential 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.

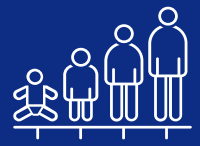
These rates subsidize costs and provide purchasing power for families receiving child care financial assistance.

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**



Equal Access Provision of CCDBG

The Child Care and Development Block Grant (CCDBG) Act of 2014 requires states to demonstrate that their reimbursement rates are sufficient to ensure equal access for eligible children that are comparable to child care services provided to children whose parents are not eligible for state child care financial assistance.

- States are required to conduct a Market Rate Survey (MRS) or use an alternative methodology at least every three years.
- Benchmark for equal access established by the federal Office of Child Care (OCC) is the 75th percentile of the current child care market.
- Growing recognition that the market price is not the best metric to use to set reimbursement rates, as they are more than most families can afford while also not reflecting the true cost of care.



2022 Market Rate Survey Findings

1

Child care financial assistance rates were found to be below the 50th percentile for most **regions, age groups, and provider types** in the Commonwealth

2

Child care financial assistance rates ranged from the **14th to the 60th** percentile of market rate for **center-based programs** and from the **7th to 61st** percentiles for **family child care** providers

2022 Market Rate Survey Board Response and Rate Increase

The Agency, with the Board's direction, used these findings to implement an historic $80M rate increase that included:

- Broad based ("across the board") for all regions, age groups and types of care, and
- Additional targeted rate increases for certain regions, age groups and types of care to ensure that all rates met or exceeded the 30th percentile of the market rate.

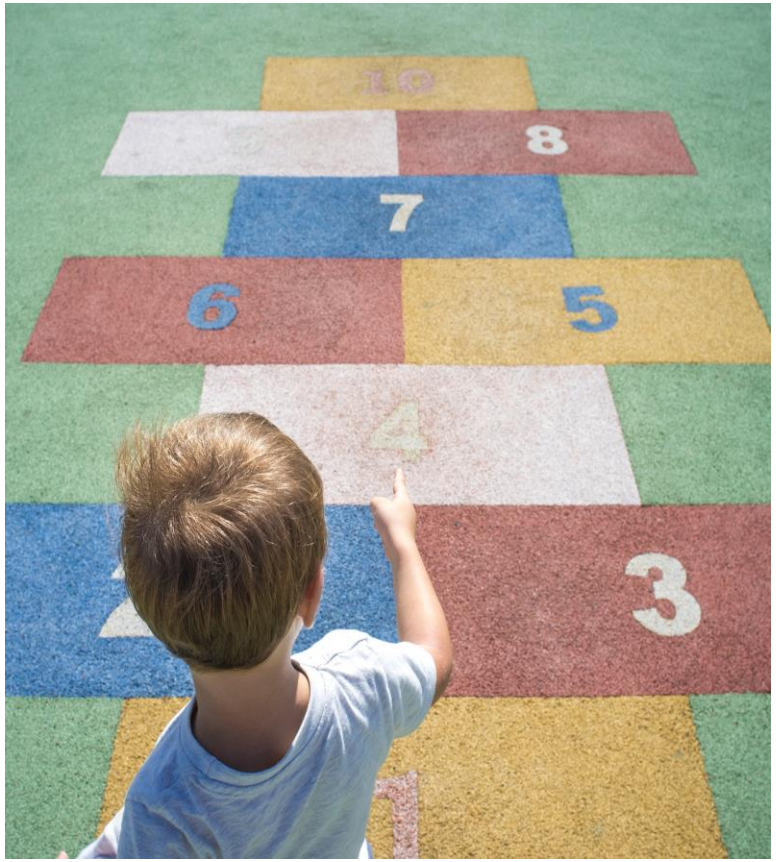
The Board further directed EEC to:

- Use information contained in the current Market Rate Study and Cost analysis to further assess the current regional rate structure and make recommendations to the Board within six months.
- Work with the federal Office of Child Care to propose and develop an alternative methodology for informing reimbursement rates with the goal of using an approved alternative methodology for the submission of the state's FFY2025-2028 Child Care and Development Fund State Plan.

Further Context: Ensuring Federal Compliance

- In April 2023, EEC was notified by OCC that the **50th percentile of the market rate is now a required threshold** for states that use market rates as their approved methodology to comply with the equal access provision of CCDGB.

- With the rate increases implemented in FY23, **significant progress was made towards the 50th percentile,** however, many age groups within existing regions remain below this threshold.



Current Daily Reimbursement Rates by Region with Percentile of Market Rate

Regions	Center-Based Providers*				FCC Providers	
	Infant	Toddler	Preschool	Full Day School Age	Under 2	Over 2
Region 1- Western	$72.37 (65.1)	$66.36 (76.8*)	$50.46 (73.2)	$46.39 (80.0)	$47.07 (60.0)	$40.58 (58.4)
Region 2- Central	**$75.95 (41.8)**	**$68.36 (46.3)**	$54.25 **(42.1)**	$46.41 (55.6)	$53.79 (57.3)	**$42.71 (37.4)**
Region 3- Northeast	**$89.51 (43.3)**	**$78.12 (45.1)**	$54.97 **(41.2)**	$47.98 (73.8)	$53.79 (65.0)	$42.79 (54.5)
Region 4- Metro	**$110.24 (47.3)**	**$100.04 (42.9)**	**$75.95 (37.4)**	$49.32 (69.4)	$80.67 (73.1)	**$50.00 (31.8)**
Region 5- Southeast and Cape	$72.37 (54.6)	$67.89 (61.6)	$51.80 (48.9)	$46.41 (72.5)	**$53.79 (44.6)**	**$45.00 (34.2)**
Region 6- Metro Boston	**$105.25 (36.6)**	**$93.20 (47.6)**	$73.78 (64.0)	$49.32 (54.6)	**$60.50 (48.4)**	**$43.93 (33.9)**

** Center-Based Provider rates reflect the FY23 Quality Add-On, which will be incorporated into FY24 base rates.*

*** Green shading indicates rates that are currently at or above the 50th percentile.*

Recent Progress to Inform Rate Setting



Comprehensive Cost Study

✓**Completed and published a comprehensive cost study** this summer that can inform future adjustments to rates as well as strategies and planning for other revenue sources.

Alternative Methodology Proposal

✓**Submitted an alternative methodology proposal to the federal government** in early October that uses the cost of care to inform reimbursement rates (versus market rates).

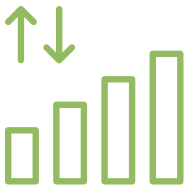
Price Limitation Waiver

✓**Extended through this fiscal year** so programs serving children receiving EEC child care financial assistance can discount private pay tuition as needed to support enrollment, access, and workforce. The Healey-Driscoll Administration has proposed permanent exclusion, which is pending before the Legislature.

Highlights from the Cost Study



In most cases, the cost per child per day (assuming current compensation levels) was higher than the current EEC child care financial assistance reimbursement rate.



The cost to operate a program varied across regions, but not nearly as widely as current reimbursement rates:

- For centers, compared to the lowest-cost region (Western), the highest-cost region (Metro Boston) was approximately 18% more expensive for children under age 5 and 12% more expensive for school-age care.
- In contrast, the current reimbursement rates for Metro Boston are up to 52% more than the rates for the Western region.



Some regions had very similar costs: the Western, Central and Southeast regions had very similar costs, and the two Boston-area regions (Boston and Metro Boston) had very similar costs.



Recommendations from Cost Study for Rate Structure

Geographic Coherence

- Align rate regions with licensing regions

Economic Differentiation

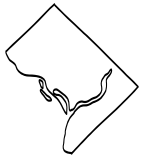
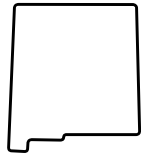
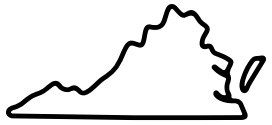
- Based on key economic indicators (e.g., HUD data on rent, median household income, Social Vulnerability Index), simplifying to either two or three rates makes sense

Simplicity & Equity

- Use cost research to inform more equitable rates by age, region and type of care, and simplify rate structure

Alternative Methodology Proposal

Three states/territories (DC, New Mexico, and Virginia) have received approval from the federal Office of Child Care (OCC) to use an alternative methodology.

OCC has strongly encouraged additional states and territories to move forward with a cost-informed approach to setting rates.

- In fact, they are offering flexibility to states that wish to move forward with an alternative methodology with required data collection timelines.

OCC does not currently have a threshold similar to the 75th percentile of market rate that it uses to evaluate equal access to care, but intends to establish a metric to assess payment rates set by alternative methodologies by July 2024.

EEC is well-positioned to move forward with an alternative methodology given its extensive recent work with CELFE to develop comprehensive cost models.

If the alternative methodology proposal is approved, EEC will engage with an external partner to update and further refine the current cost models for the next cycle of the CCDF plan.

FY24 & Beyond: Strategy for Rate Increases and Reforms



Recognize Rising Operational Costs

- Use portion of funds for across-the-board increase



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



3 FY25 Budget Priorities

Proposed FY25 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 FY25 Budget Priorities

FAMILY ACCESS



Sustain efforts to improve and simplify access to care through Child Care Financial Assistance reforms
In April 2022, the Board voted unanimously to promulgate revised Child Care Financial Assistance regulations. Since then, the agency has been working diligently to implement related reforms and system improvements to support simplified user experiences that serve people with dignity. The Board recommends continued investment to support the agency's work to improve service delivery for families and, where possible, reach more families.

Support expanded access to preschool in Gateway Cities through the Commonwealth Preschool Partnership Initiative (CPPI)
In FY24, the Administration included $5.5 million to support expanded access to participating 21 school districts and expand access to new Gateway Communities. Additional investment in FY25 would provide planning and implementation support to additional communities across the Commonwealth, while maintaining support for the state's mixed delivery early education system.

Strengthen services for young children and families residing in the state's emergency shelter system
As the number of families residing in the state's shelter system rise, EEC is working collaboratively with cross-secretariat partners and external stakeholders to coordinate services for young children and their families. EEC should continue to meet changing needs of families and create critical play and education opportunities for young children in shelter.

PROGRAM STABILITY



Continue to support and refine Commonwealth Cares for Children (C3) Grants
As the Commonwealth moves from emergency stabilization to ongoing operational support, sustained investment in C3 will enable EEC to continue prioritizing equity in the grant by further directing funds to programs serving higher need families and strengthening the focus of the grant on supporting professional development, workforce compensation and quality investments.

Continue work to move CCFA rate structure to reflect true cost of care for programs
The Board has passed historic increases to child care financial assistance rates to meet the needs of programs. EEC should continue to improve rates and close gaps outlined in the cost study, while they pursue an alternative methodology.

Proposed FY25 Budget Priorities

PROGRAM QUALITY



Continue development and implementation with DESE towards a collaborative early literacy strategy for young learners
We know that early literacy plays a critical role in building children's kindergarten readiness and supporting life-long success in academics and beyond. Prioritizing funding for early literacy supports in FY25 will enable EEC to work collaboratively with DESE to expand the use of literacy screening and integrated supports for EEC-licensed programs.

Expand access to mental health supports and trauma-informed training opportunities
Providers across Massachusetts have reported an increasing need for supports to serve children with behavioral and mental health challenges. The Board supports additional investments into the existing Early Childhood Mental Health grant program to expand supports and services to providers, as well as families, to help create supportive, responsive environments for young children.

WORKFORCE SUPPORTS



Continue and expand access to Child Care Financial Assistance for ECE staff pilot
Since this pilot was launched in January 2023, programs and educators have reported that the pilot has been a critical tool for recruiting and retaining educators and staff. Primarily, it supports staff to be able to afford to stay in a career they're passionate about. To date, more than 1,500 children of ECE staff have been able to access care. Additional investment to support this pilot could enable the agency to consider program design changes, like expanded eligibility.

Invest in key recruitment and retention strategies, like apprenticeships & licensing support for FCC providers
The Commonwealth's child care sector continues to face persistent workforce challenges that directly impact the accessibility of high-quality child care for families. Investments in this area in FY25 will support the agency's ongoing work to improve recruitment and retention of educators in both center-based and FCC settings.

AGENCY INFRASTRUCTURE



Support ongoing growth of agency capacity to continue responding to challenges & opportunities now and in the future
New investments in the agency's staffing and IT infrastructure can be felt throughout the Commonwealth's early education field, as the agency's business processes modernize and its new divisions make meaningful progress towards identified goals and improvements. Additional support is needed for the agency's continued execution on its important mission by way of its strategic objectives.