

Commonwealth of Massachusetts Department of Early Education and Care

Economic Review Commission

The Future of Child Care

October 2021





EEC Role, Oversight and Appropriations

\$761M Expenditures in FY21

EEC has **comprehensive oversight** for the early education and child care sector – including licensing and monitoring, Background Record Checks, investigations, and quality improvement. EEC also supports educator qualifications, higher education access, credentialing, and professional development, and provides direct services to families for subsidized tuition and parent education and referral support.

Approximately 63% of EEC funding is from federal sources. Almost 78% of total budget is for tuition subsidies.

Administration	Funds staff positions and six offices across the Commonwealth	\$5,880,482
Quality Supports	Funds monitoring and licensing activities, quality supports, coaching and technical assistance for programs and educators in the child care system	\$24,787,909
Access Management	Funds child care resource and referral activities, as well as a statewide parent hotline	\$10,392,382
Subsidy Investments	Supports tuition reimbursement subsidies to up to ~48,000 vulnerable children birth-fourteen enrolled in child care, including parent fees paid by EEC on behalf of subsidized parents	\$581,862,522
Grants to Head Start	Supports a grant to all Head Start grantees in MA to help meet their non-federal match	\$14,981,312
Commonwealth Preschool Partnership Initiative	Funds 9 communities across the state in an innovative funding partnership between the LEA and local child care providers	\$5,356,647
Mental Health Consultation	Funds access to mental and behavioral health consultants for coaching and technical assistance to child care providers	\$2,370,878
Community and Family Engagement	Supports a network of 88 community collaboratives designed to provide parenting resources and supports to all families in every community	\$14,330,161
Higher Education- Career Pathways	Supports a targeted initiative across all the network of state community colleges to develop credit-bearing CDA course work to increase the supply of qualified educators	\$8,015,047
COVID-Related/One-Time Expenditures	Supports the early education and care workforce and operational costs related to the 2019 COVID pandemic as well as CARES ACT, mobile testing, PPE, FCC Facility Grants, Center-Based Workforce Grants.	\$96,591,631
Additional Earmarks, as appropriated	Legislative priorities or targeted initiatives appropriated on an annual basis	\$2,200,000

Beginning in FY22, ECC began distributing monthly operational grants to licensed programs using federal funding.



Landscape: The State of Child Care (Pre-COVID)

- **Total capacity for 230,000 children** up to 14 years old; **750,000 children in full-time working households**
- **55,000 children are supported by EEC subsidies** targeted to low-income and vulnerable families
- MA has a robust **mixed-delivery model for child care**, including Family Child Care homes (FCC), a child care run from a private home, with small group sizes ranging from 6-12 children across all age groups.
 - The business model currently used by EEC's network of providers requires full-enrollment for most businesses to break even.
- ~8,200 non-profit and for-profit business providers (6,000 Family Child Care Homes & 1,200 Centers)
 - 50% do not receive any public subsidy and are wholly funded by private pay fees from parents
 - 15% have most of their enrollment subsidized (2/3 or more)
 - 35% have a mix of private pay and subsidized enrollment
- Childcare was a \$4B industry in MA prior to the pandemic.

AVERAGE ANNUAL FAMILY FEES	Center Average	Center Maximum	FCC Average	FCC Maximum
Infant	\$25,924.08	\$43,188.00	\$12,330.96	\$25,200.00
Toddler	\$22,434.60	\$90,000.00	\$12,534.36	\$25,200.00
Preschool	\$16,506.24	\$113,760.00	\$11,209.08	\$24,600.00

For most center-based programs, infant/toddler care is subsidized by preschool classroom revenue

PRE-COVID AVERAGE CLASSROOM REVENUE - PRIVATE PAY

Infant Classroom	\$181,468.56
Toddler Classroom	\$201,911.40
Preschool Classroom	\$330,124.80

Average Provider Size:
FCC: 8 children (range from 6-12)
Center-Based: 5 classrooms



Context: Child Care as Businesses

Before COVID, child care businesses were able to **enroll 230,000 children** up to 14 years old; but there are **750,000 children in full-time working households**

- Access limitations vary from 'highly constrained supply' to 'extreme unmet need' - with a pervasive, statewide mismatch between supply of care and family need
- Research identifies ratios of 1 enrollment spot per 3 children, up to 1 enrollment spot per 5 children

Most child care businesses require full enrollment to break even

Region and Type	# programs pre-COVID	# programs # open October	% of pre-COVID
Western MA	1267	1102	87%
Central MA	1679	1473	88%
Northeast MA	1971	1754	89%
Southeast MA & Cape	1552	1397	90%
Metro Boston	1753	1591	91%
TOTAL	8222	7317	89%

COVID has impacted capacity across the Commonwealth:

- 90% of businesses have either reopened or been replaced by new businesses opening despite estimated losses of approximately \$250M per month during closure from private pay fees alone.
- Along with transportation, child care is considered one of the critical enablers of employment and economic recovery through COVID-19 reopening.

Despite the return of most child care businesses, their ability to meet demand among families is limited by ongoing capacity constraints:

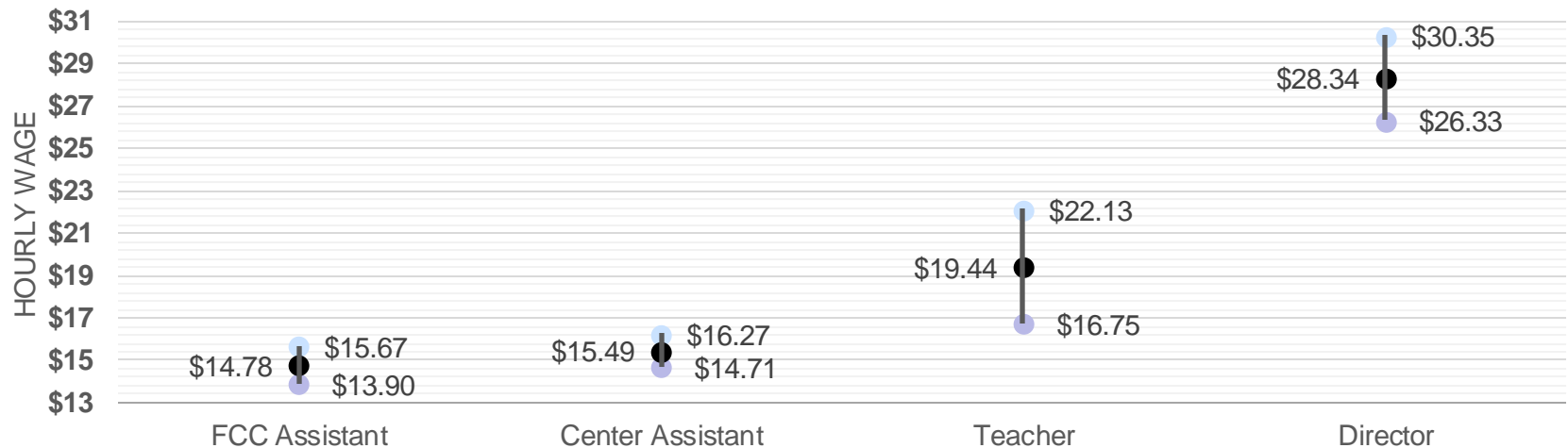
- Providers report that staffing shortages are their primary barrier to enrolling children at full capacity
- Child care providers are competing with multiple other industries for a limited supply of available workers
- Child care business model's thin margins limit the ability to leverage compensation as recruitment tool



Child Care Compensation

Workforce Compensation Context

- Child care workforce is 92% female, 41% people of color. 47% hold more than HS degree.
- Recent staffing levels among child care businesses were at 85% of original projections, indicating significant workforce shortages
- Employment experts (including MassHire Boards) have expressed concerns about recruiting to child care industry due to low wages and limited room for advancement



Self-reported salary data shows persistent compensation challenges

Ranges for **Assistants** currently fall below MA minimum wage targets on low end.

Mean is below for home based and just slightly above for center based.

High/low spread limited – little incentive to progress..

Mean for **Teachers** is just below \$20 an hour.

Bridge from assistant high to teacher low offers little incentive to advance.

Teacher and **Director** salaries show more range – indicating some room for advancement.



Shifting Landscape and Family Needs

A shifting landscape calls on unprecedented levels of adaptiveness – and urgency in meeting changing family needs. Dialogues with hundreds of families and businesses/employers in recent months have revealed common themes.

- **Families prioritize child care affordability** as their biggest challenge; **employers also cite access to affordable care** as the most pressing concern within their workforce
- Both constituencies feel that the **current child care supply is not adequately meeting family needs** – either in overall capacity, location of care, hours and schedules of care, or available services within community care structures
- Family sessions identified a series of core **challenges related to care access**:
 - Affordability across all income groups
 - Combination of quality care, nearby, with hours needed by families
 - Availability/ supply of special needs, infant/toddler, before/after school care
 - Access ‘navigation’ – referrals, access to subsidies, support finding transportation options
 - Supportive services in care – ex. specialized learning, mental/behavioral health supports
 - Shorter provider hours or other constraints due to availability of childcare workforce
- When asked how they determine **whether care is high quality**, families answered:
 - Is it flexible to my needs (affordability, location, hours of care)?
 - Is my child in a place where I can trust the adult who will care for them, and they will be safe and happy while I am away?
 - Will my child learn and grow academically, socially, emotionally?
- **Employers have made changes to support working families – but there are ongoing concerns**
 - Most have increased flexibility as their primary policy/resourcing shift
 - Majority continue to adopt hybrid work policies
 - Primary areas of concern are females and ‘second and third shift’ workforces – with disproportionate impacts for each
 - Cost is leading factor – losing strong employees because their salaries are simply not enough to justify child care costs
 - Difficulties more deeply felt among smaller businesses



MA Subsidy System Overview

Pre-COVID, EEC subsidized tuition for about 55,000 children from low-income working families attending child care each month. Currently, enrollment hovers around 42,500 children.

- Subsidy eligibility equals 85% State Median Income, or \$67,300 for a family of 4
- All adults must meet eligibility criteria to qualify for subsidized tuition, including working or in school full time, having a special need, or another qualifying criteria.

Subsidy rates are tiered to market rates. The percentile of market rates ranges from ~20% to 80%

Subsidy distribution among child care businesses that have reopened shows that trends from the pre-COVID market have held steady:

- Even split between those businesses that participate in the subsidy system and those whose enrollment fees are fully covered by private paying parents
- Small market share (16%) of those whose enrollment is highly subsidized
- 36% whose enrollment is funded by a mix of private pay and subsidy

% of Capacity w/ EEC Subsidy	Family Child Care (FCC)	% FCC in Systems	Group Care	Totals	% Totals
No subsidy	2,202	14%	1,292	3,494	51%
1-33% subsidized	348	78%	725	1,073	16%
34-66% subsidized	972	94%	297	1,269	18%
67-100% subsidized	935	98%	147	1,082	16%
Total Sites	4,457	54%	2,461	6,918	100%
% of All Sites Licensed/Open	64%		36%		



Family Needs and Emerging Themes

Challenge	Emerging Theme
<p>Many families have experienced a change in work situation/location; family schedules, hours, and related child care needs are likely to continue evolving</p> <p>Family service needs have changed and been exacerbated through pandemic's economic, employment uncertainty</p>	<p>Smaller, place-based programs will be needed to more easily customize services to family needs now, and remain nimble and adaptive as those needs change over time</p> <p>Re-evaluate community infrastructure to support family navigation and integrated service delivery</p>
<p>Systemic inequities identified in Future of Work report and associated research include limitations on work format, flexibility and scheduling practices (particularly for roles with non-standard hours) for those who are not in white-collar jobs</p>	<p>Need for business policies and structures that allow for more consistency in family work and child care needs, incl. schedules, hours</p>
<p>Commonwealth's annual private child care cost is ~\$5K above national average for home-based and \$6-\$8K above national average for center-based – many states in this region share average costs above and well above national averages</p>	<p>Innovate on statewide structures for care affordability that can increase access to child care tuition supports both within and beyond the state subsidy system</p>



MA Subsidy Programs

Subsidy Program	Description	Eligibility Requirements
<p>DTA-Related Care</p>	<p>For families receiving TAFDC through DTA, or for a one-year transitional or one-year post-transitional period after the closure of the family's TAFDC</p>	<p>Eligibility determined by DTA; EEC requires DTA referral and photo ID; transitional care requires same documentation as EEC IE program</p>
<p>DCF-Related Care</p>	<p>For children with active cases at DCF and who are referred for child care by DCF</p>	<p>Eligibility determined by DCF; EEC requires DTA referral and photo ID</p>
<p>Income Eligible (IE) Program</p>	<p>For eligible low-income and at risk families as allowed by funding; children are placed into IE from the statewide waitlist for care</p>	<p>Required to use the EEC Centralized Waitlist, once family gets off the waitlist, eligibility is assessed by a contracted provider or CCR&R</p>
<p><i>Young Parent Program</i></p>	<p>Subset of IE: For parents in full-time high-school or GED program who are not eligible for care under DCF or DTA care; must enter the program before age 20 but may remain in the program until 24</p>	<p>Subset of IE: Required to use the EEC Centralized Waitlist, but can be prioritized immediately by participating contracted provider who then assesses eligibility</p>
<p><i>Homeless Child Care Program</i></p>	<p>Subset of IE: For homeless families referred to care by DHCD and DCF</p>	<p>Subset of IE: Eligibility conducted by DHC or DCF; EEC requires DHCD or DCF referral and income documentation</p>



Income Eligible Program Requirements

Income Requirement

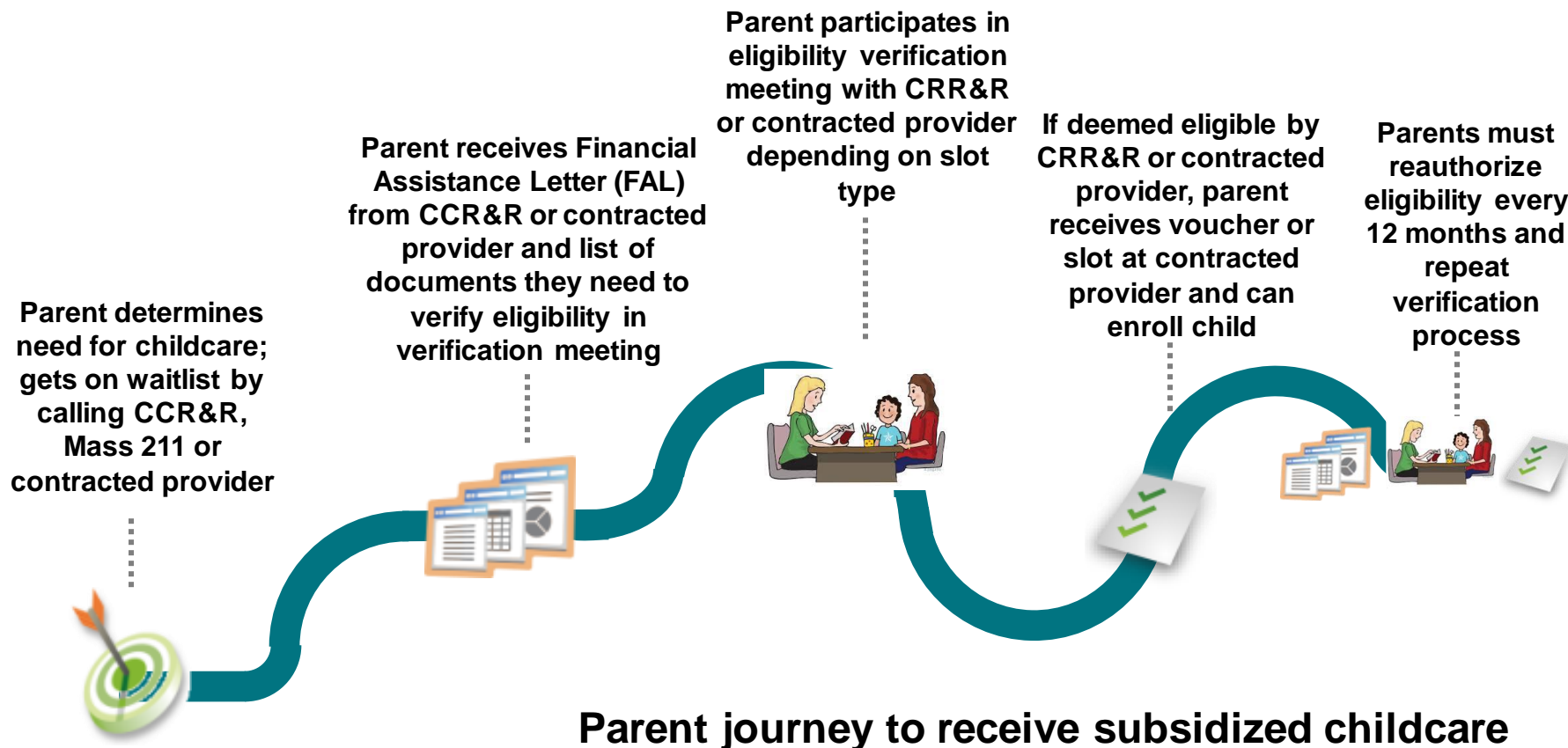
- A family's gross household income must be **at or below 50% of the State Median Income (SMI)** at initial assessment to enter care (**85% at reauthorization**).
- EEC updates the income eligibility chart annually.
- Parents are also assessed a parent fee (i.e. co-pay) based on their income and household size.

Service Need Requirement

- If a family meets the income requirement above, all parents/guardians in **the household must also have a Service Need (i.e. be participating in a qualified activity)** for at least 20 hours per week for part-time care, and at least 30 hours per week for full-time care.
- Qualified Service Needs include:
 - Working, including self-employment
 - 26 Week Job Search
 - Enrolled in an approved education or training program (does not include graduate, law, or medical school);
 - Homeless (if the family meets the McKinney-Vento definition; limited to 2 years)
 - Parents aged 65 or older can use “retirement” instead of an activity
 - A Parent with a disability or special need may apply to EEC for a variance to the activity requirement
 - If a Parent does not have a valid service need at authorization, the parent may be granted a provisional authorization to seek and certify an approved activity.



Parent Journey Map: Income Eligible Program



Appendix

Subsidy Rates Tiered to Market Rates, By Age and Region



Center Based Child Care – Market Rate*

Center Based Child Care Reimbursement Rates Compared to Market Price Percentiles

CENTER BASED INFANT	FY21 Rates	Percentile:
REGION 1	\$61.94	64.9%
REGION 2	\$63.64	44.3%
REGION 3	\$74.85	35.4%
REGION 4	\$85.23	39.6%
REGION 5	\$61.94	52.9%
REGION 6	\$80.76	58.9%

49.3%

CENTER BASED TODDLER	FY21 Rates	Percentile:
REGION 1	\$56.80	72.7%
REGION 2	\$58.12	48.2%
REGION 3	\$65.09	45.8%
REGION 4	\$77.37	40.1%
REGION 5	\$58.12	58.1%
REGION 6	\$75.28	56.7%

53.6%

CENTER BASED PRESCHOOL	FY21 Rates	Percentile:
REGION 1	\$43.20	64.6%
REGION 2	\$46.01	43.8%
REGION 3	\$47.05	41.3%
REGION 4	\$59.60	34.9%
REGION 5	\$44.33	42.9%
REGION 6	\$47.48	39.4%

44.5%

CENTER BASED SCHOOL AGE (FULL DAY)	FY21 Rates	Percentile:
REGION 1	\$39.72	75.3%
REGION 2	\$39.73	45.6%
REGION 3	\$41.07	52.8%
REGION 4	\$42.23	37.6%
REGION 5	\$39.73	44.6%
REGION 6	\$42.23	79.8%

55.9%

SCHOOL AGE AFTER SCHOOL	FY21 Rates	Percentile:
REGION 1	\$19.73	91.3%
REGION 2	\$19.73	44.7%
REGION 3	\$22.05	44.7%
REGION 4	\$22.64	43.0%
REGION 5	\$19.73	43.5%
REGION 6	\$22.64	65.7%

* Region 3 is reported in the State Plan as the most populous region

*SFY20



Family Child Care – Market Rate*

FCC INFANT	FY21 Rates FCC Under 2	Percentile:
REGION 1	\$41.13	66.9%
REGION 2	\$47.00	62.0%
REGION 3	\$47.00	68.1%
REGION 4	\$70.49	77.4%
REGION 5	\$47.00	47.9%
REGION 6	\$52.86	55.5%

FCC TODDLER 1	FY21 Rates FCC Under 2	Percentile:
REGION 1	\$41.13	72.4%
REGION 2	\$47.00	69.3%
REGION 3	\$47.00	76.4%
REGION 4	\$70.49	80.7%
REGION 5	\$47.00	54.2%
REGION 6	\$52.86	67.0%

FCC TODDLER 2	FY21 Rates FCC Over 2	Percentile:
REGION 1	\$35.46	41.0%
REGION 2	\$37.32	28.1%
REGION 3	\$37.39	55.0%
REGION 4	\$42.66	26.4%
REGION 5	\$37.32	21.6%
REGION 6	\$38.39	25.7%

FCC PRESCHOOL	FY21 Rates FCC Over 2	Percentile:
REGION 1	\$35.46	46.5%
REGION 2	\$37.32	38.1%
REGION 3	\$37.39	58.8%
REGION 4	\$42.66	32.9%
REGION 5	\$37.32	29.3%
REGION 6	\$38.39	32.2%

FCC SCHOOL AGE (FULL DAY)	FY21 Rates FCC Over 2	Percentile:
REGION 1	\$35.46	55.5%
REGION 2	\$37.32	47.7%
REGION 3	\$37.39	61.0%
REGION 4	\$42.66	42.4%
REGION 5	\$37.32	34.9%
REGION 6	\$38.39	39.8%

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*SFY21