

Memo

To: Ellen Wheatley, Acting Director of the Office of Child Care

From: Region 1 CCDF State Administrators & Agency Leaders

Re: Region 1 Child Care Recovery Fund, A Common Framework for Rebuilding NE’s Child Care Industry Utilizing Funding from the Coronavirus Response and Relief Supplemental Appropriations Act

Background & Overview:

Since November 2020, Region 1 States (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island & Vermont) have convened regularly to conceptualize a common framework for federal stimulus fund disbursement to child care providers who have experienced financial and operational hardship due to the COVID-19 pandemic. This work also includes collective thinking about leveraging funds in ways that lead to long term early childhood systems improvement across New England.

Implementing a common framework will enable New England to design innovative and data-informed approaches to rebuild the region’s child care infrastructure. This collaboration is aimed at better supporting working families to access quality early learning experiences for their children while simultaneously measuring the efficacy of those investments to inform future spending of federal stimulus dollars.

Vision:

Each New England state will commit a minimum of sixty-five percent (65%) of their CCDF federal stimulus fund from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) to this common framework and methodology for grant disbursement. This will preserve state autonomy to distribute the remaining thirty-five percent (35%) of their federal allocation to their child care system to meet the unique needs of local communities, while ensuring that there is regional consistency for the child care industry.

The common framework will draw upon a formula developed by a team at Third Sector Capital Partners, issuing stipends based on capacity to child care programs on a state-determined schedule of payment. Providers must be open and serving families in-person. Other variables for grant issuance are listed below, with the flexibility/opportunity for each state to identify a unique metric or value to influence the algorithm for grant award.

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| Variables for Grant Methodology |
| Community Need & Equity |
| Cost of Living |
| Capacity to Serve |
| Impact of COVID-19 |
| Quality |

The region has also aligned eligible categories of spending for the child care providers who receive CCDF stabilization funds. These would not be required, nor assigned a specific allocation within their budgets, but will serve as reference points as programs conceptualize pathways to recovery.

| Categories of Spending |
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| PPE and other mitigation strategies to prevent the spread of COVID-19 |
| Capital Improvement Projects |
| Occupancy (rent, insurance, mortgage, utilities, etc.) |
| Materials/Supplies |
| Replenishment of Lost Revenue and/or Reduced Enrollment |
| Wages/Spot-Bonuses |
| Professional Development/Technical Assistance for ECE |

While wages will not be a required category of spending, Region 1 states are actively pursuing paths to encourage and ultimately inform the child care industry on the importance of fairly compensating the workforce as an essential component to their business’ recovery and long-term success. The region will create and share innovative approaches to leverage these and future federal funds in a way that ensures the workforce is recognized and appropriately compensated for their expertise. In providing awards to programs, one of the region’s priority is to see the funds utilized to equitably pay the workforce charged with providing direct services to children and families during the pandemic.

A subset of the region may elect to utilize a common fiscal intermediary to ensure application materials, technical assistance and grant requirements are consistent and streamlined for the region, as well as benefit from cost efficiencies of shared services. The fiscal intermediary will also support overall project management of the common framework, as well as leverage key findings from the initial grant disbursement to inform future capacity-building activities and pilots for states.

Benefits:

Throughout the global COVID-19 pandemic, states across the nation have identified unique opportunities for collaboration and coordination. This common framework solicits bipartisan support from New England states to establish a regional approach to achieve the stabilization and rehabilitation of the child care system. It will be a unique and groundbreaking effort to align regionally, one that will set the stage for future collaboration and regionalization on an essential industry.

Through shared thinking, New England will identify efficiencies in designing and building new, innovative pilot-based capacity-building activities. It will also ensure federal compliance standards are commonly understood, interpreted and adhered to throughout the stimulus grantmaking process.

As the region prioritizes and values family choice in the design of child care’s recovery, it is critical that multi-state child care operators and families who commute out of state are connected to a shared set of guidelines and criteria for consideration. Findings from this common framework will serve as a blueprint for New England to inform and shape future federal stimulus funds anticipated from Congress in the coming months.

We know that these combined efforts to build high-quality early childhood systems, supports our current workforce, and supports the critical brain development for our workforce of the future. New England’s competitive advantage has long been its workforce.

Implementation Plan for the Common Framework:

The implementation of this fund will imbed the following key strategies to ensure grant disbursement is equitable, expedient and responsive to both provider and family need. Outcomes and their associated timelines will be further defined as application materials for grant disbursement are developed and finalized.

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| Strategy 1: Economic Recovery & Stabilization for the Child Care System |
| <i>1.1. CCDF federal stimulus dollars will be leveraged to ensure child care providers receive immediate relief to support their programs’ operations and ensure continuity of quality care for children. Funds will be issued equitably, ensuring small business owners receive comparable relief funds needed to maintain operations.</i> |
| Strategy 2: Family Demand, Utilization & Access |
| <i>2.1. NE will evaluate and understand families’ evolving needs as a result of the COVID-19 pandemic and leverage this data to inform the region’s efforts to stabilize and ultimately rebuild New England’s child care system.</i> |
| Strategy 3: Workforce Support & Compensation |
| <i>3.1. The region will focus on educating and partnering with the child care industry to honor their child care educators and staff as the critical and most important investment to their infrastructure.</i> |
| Strategy 4: Federal & State Compliance |
| <i>4.1. All grant making will meet federal and state compliance standards, with focused alignment to ACF federal regulations and guidance.</i> |
| Strategy 5: Capacity-Building & Piloting New Service-Delivery Models |
| <i>5.1. States will consider and design new, service-delivery models reflective of family needs since experiencing disruption and hardship from the COVID-19.</i> |

Future Collaboration & Opportunities for Regional Coordination:

In addition to the development of a common framework, the New England region has worked to strengthen partnerships with non-profit and technical assistance organizations to leverage new opportunities for collaboration and coordination.

A Regional Child Care Demand Analysis with Bipartisan Policy Center, as well as regional technical assistance associated with the design and development of regionally recognized early childhood educator credentials has been prioritized for next steps.

This common framework will continue to leverage shared vision-setting and identify fiscal efficiencies in stimulus spending for the child care infrastructure. Data and reporting will continue to drive the outcomes and associated feedback loops for this initiative.

FFY21 Federal Stimulus Funds Plan Addendum

The Massachusetts Department of Early Education and Care (EEC) plans to use the federal stimulus funds as part of a larger set of grants to child care providers to ensure the viability of the industry, while also fostering innovation across the field to meet the evolving needs of working families and employers through COVID recovery period.

In preparation for federal stimulus funds, EEC will begin establishing operational funding to subsidized providers through state funding appropriated to EEC in the FFY21 budget to address the COVID-19 related needs of child care providers. EEC has already begun preparing to distribute this funding with spending mechanisms, data reporting, and community feedback that will support the success of the transformative approach to financing early education and care planned through the Federal Stimulus Funds. The state funded grants to center-based and family child care (FCC) providers will support investments in compensation to the workforce and, in the case of FCCs, capital improvements needed as a result of COVID requirements.

This state investment in child care will also begin to build the structures that will be used to distribute Federal Stimulus Investment funding and stabilize child care operations across the Commonwealth. The following foundational elements developed through state funding distribution will support the plan for Federal Stimulus Funds:

1. Establish a relationship with an intermediary through a state contract to manage grant logistics efficiently and collect data to inform future steps
2. Create reporting accountability for critical data on workforce salaries and operational costs to inform formulas used in the distribution of federal funding

The Federal Stimulus Funds require state appropriation to EEC, and the plan for Massachusetts' distribution has been developed in accordance with the principles of the Common Framework established by the New England consortium. As a foundational payment, Massachusetts intends to allocate 75% of Federal Stimulus Funds to provide a new, supplemental source of operational funding for all EEC-supervised programs in Massachusetts. It will not fully or partially replace any existing sources of public funding. A portion of this allocation will be used to sustain the role of the intermediary to help EEC administer the funding distribution and reporting. The remaining 25% of stimulus funding will be reserved to support operational costs that arise across the system identified throughout the summer and fall, such as establishing child care COVID-19 testing sites, covering parent co-pays for subsidized families, and other unexpected areas that arise.

Massachusetts' plan for distribution of the Federal Stimulus Funds will adhere to the following priorities:

- Make funding available to all EEC-supervised programs in the Commonwealth (6,832 as of February 8th)
- Establish clear expectations around program reporting and accountability for providers
- Identify a formula for distribution that accounts for prioritization across three key areas:

- Program capacity
- Investments in program staff
- Services to priority populations of children and families

EEC is working with Third Sector Capital Partners to further define the formula to be utilized and support appropriate accountability for stabilizing grants targeted to preserving the remaining child care capacity. This will include robust engagement with stakeholders to inform the specific structures of the formula across these three dimensions, in order to efficiently and effectively develop a payment mechanism that can support operational stabilization of the child care industry. Initial stakeholder discussions will focus on identifying the program characteristics that should guide the formula and the level of investment that will be sufficient to meet the goal of stabilization. Third Sector Capital Partners has developed a financial modeling tool in collaboration with EEC that will illuminate the implications of different decisions regarding funding structures to inform decisions.

EEC expects to be ready to distribute the funds in accordance with the budget appropriation process, and plans to allocate funds in monthly payments to providers for a minimum of 5 months potentially beginning as soon as May 2021. Size of the grants will vary based on the final formula determined by EEC, but will be designed to cover a minimum of 10% of a program's projected operating costs based on size and accounting for increased salary investments during COVID.

For up to date information on the formula, distribution, and the planning, please contact EEC.

Direct Child Care Services (Subsidies)

Although EEC does not plan to provide direct child care supports, the funds are designed to sustain the operations and improve the quality and responsiveness of the Commonwealth's early education and care system, with the ability to target larger funding amounts to programs serving families with specific needs, such as the categories detailed below. EEC is looking at accountability requirements that incentivize improved affordability for families.

Implementation of Virus Mitigation Policies and Practices

EEC has developed and continues to update guidance to providers around health and safety practices in line with guidance from local health departments and the Centers for Disease Control and Prevention (CDC). These protocols have increased operational costs for programs to forgo usual practices of combining classrooms, for example, and have increased the operational burden to businesses managing very tight budgets. The 75% of funding being used to provide stabilization grants will help address the increased cost of meeting virus mitigation protocols and practices currently in place in Massachusetts.

EEC has also created a centralized system for providers to order health and safety supplies, subsidized by the state through operational reserve funds, as well as a testing system for COVID, with locations dedicated to child care families and workers in every region with rapid response times and no-wait services. Some of the funds will be used to continue to fund these types of supports for providers through the summer and fall.

Grants or Assistance (Other than Subsidies) to Stabilize Child Care Providers

Operating expenses will be allowable uses of the federal stimulus funds, including covering increased expenses that have resulted from the COVID-19 public health emergency.

Assistance to Providers Not Participating in the Subsidy System Prior to the Pandemic

EEC plans to make funds available to all supervised providers, regardless of subsidy participation, through a formula approach to distribution.

Other

Another spending priority for EEC is ensuring the federal funds support increased investment in program educational staff, including improving staff compensation and hiring of additional staff to improve ratios, given the overwhelming burden this pandemic has put on our early education and care workforce.

Sincerely,

/s/

Samantha L. Aigner-Treworgy
Commissioner
Department of Early Education and Care