



Supporting **Early Education and Care** Through and Beyond the **COVID Crisis**

Colin Jones, Senior Policy Analyst

Massachusetts Budget and Policy Center



What is in the budget?

Budget Browser



ABOUT BROWSER

Select Budgets

- FY 2022
- FY 2022 GAA
- FY 2021
- FY 2020

Clear All Select All

Inflation Adjustment

- CPI - Consumer Goods
- IPD - Government Purchases
- Economic Growth
- None - not recommended

GO

Early Education & Care

Entire Budget // Education // See All Line Items in Early Education & Care

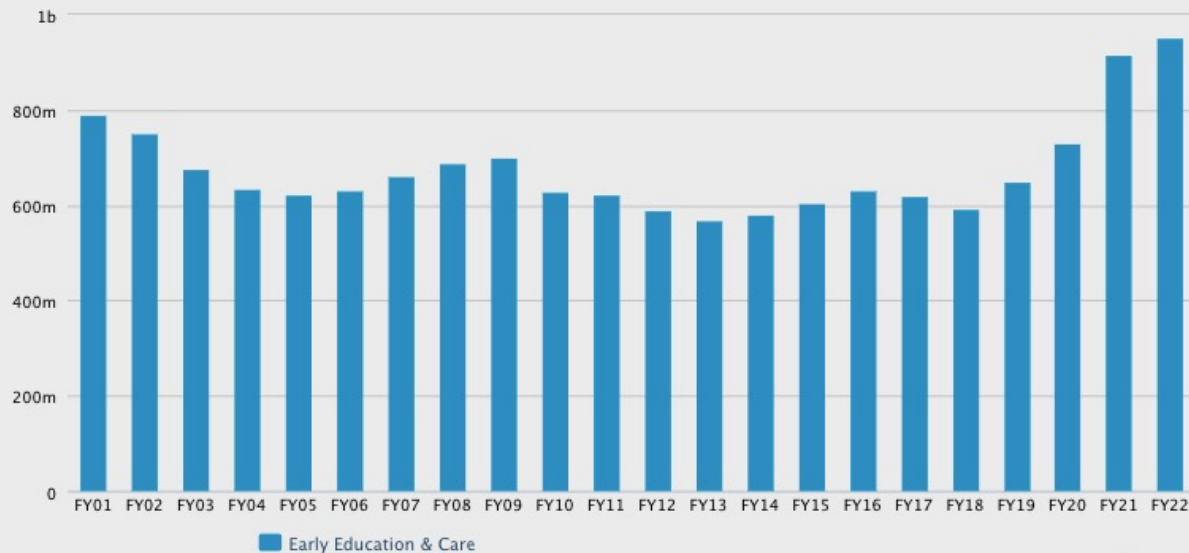
Funding History

Search Line Item Name or #

SEARCH

funding levels adjusted for inflation (CPI)

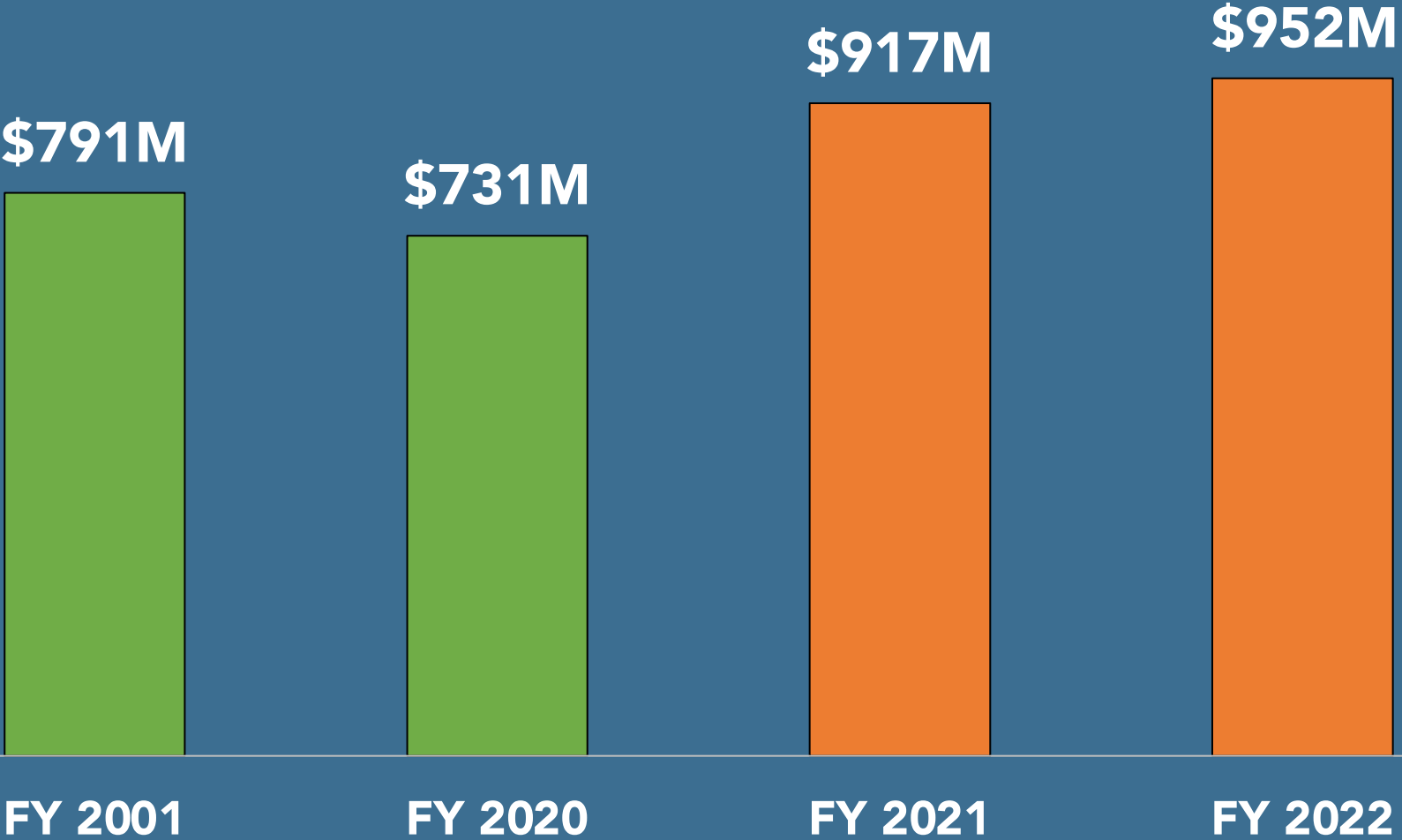
download as image



MassBudget's
Budget Browser tool
tracks every line
item since FY 2001.

[massbudget.org/
budget-browser](https://massbudget.org/budget-browser)

Statewide Early Education and Care Funding

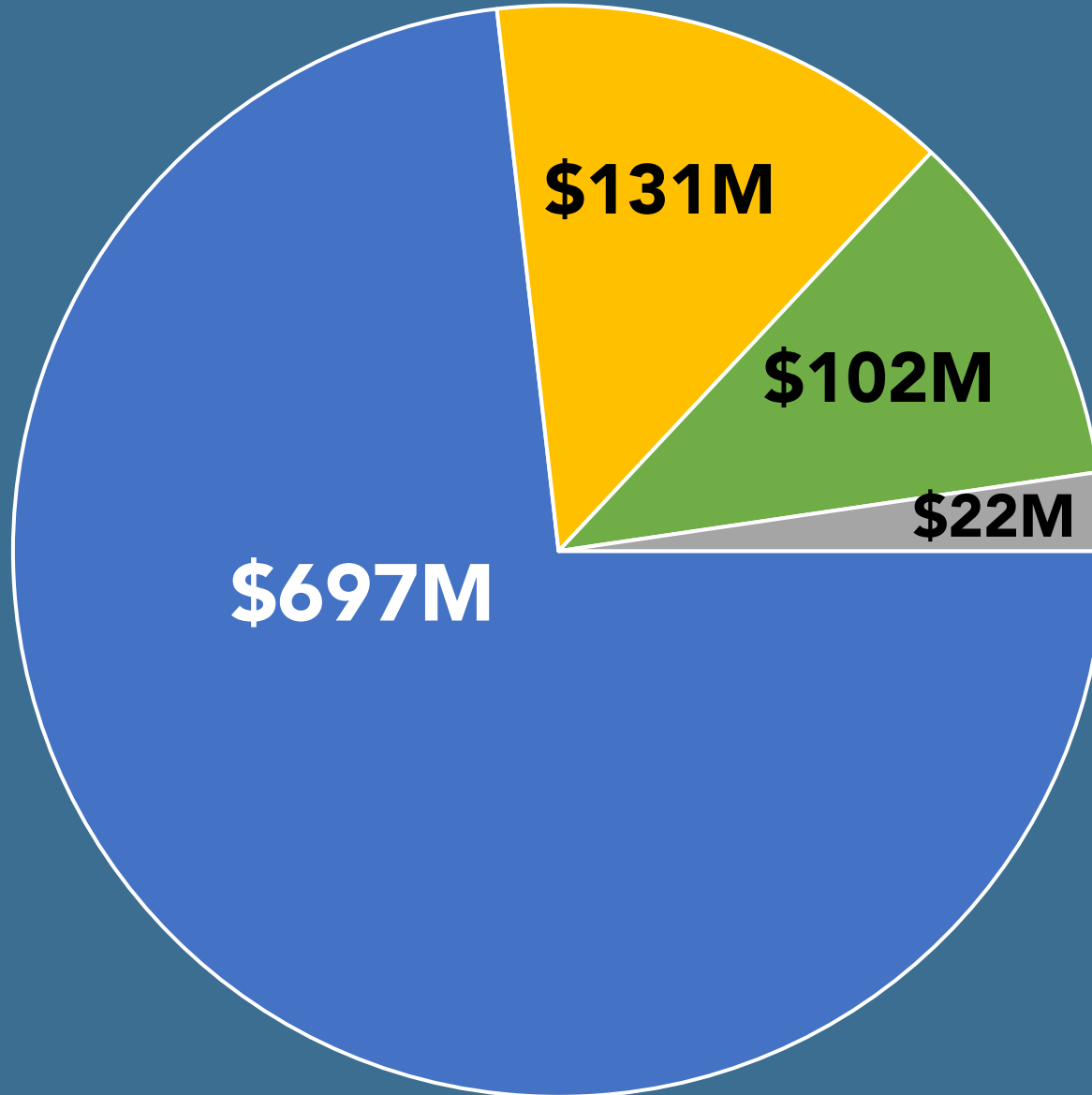


Source: MassBudget Budget Browser – as of December 2021, FY 2022 dollars

Breaking Down the Early Education Budget in Mass.



**FY 2022
Current
Funding
\$952 million**



□ Early Education Access & Subsidies

■ Federal CRRSA COVID Relief

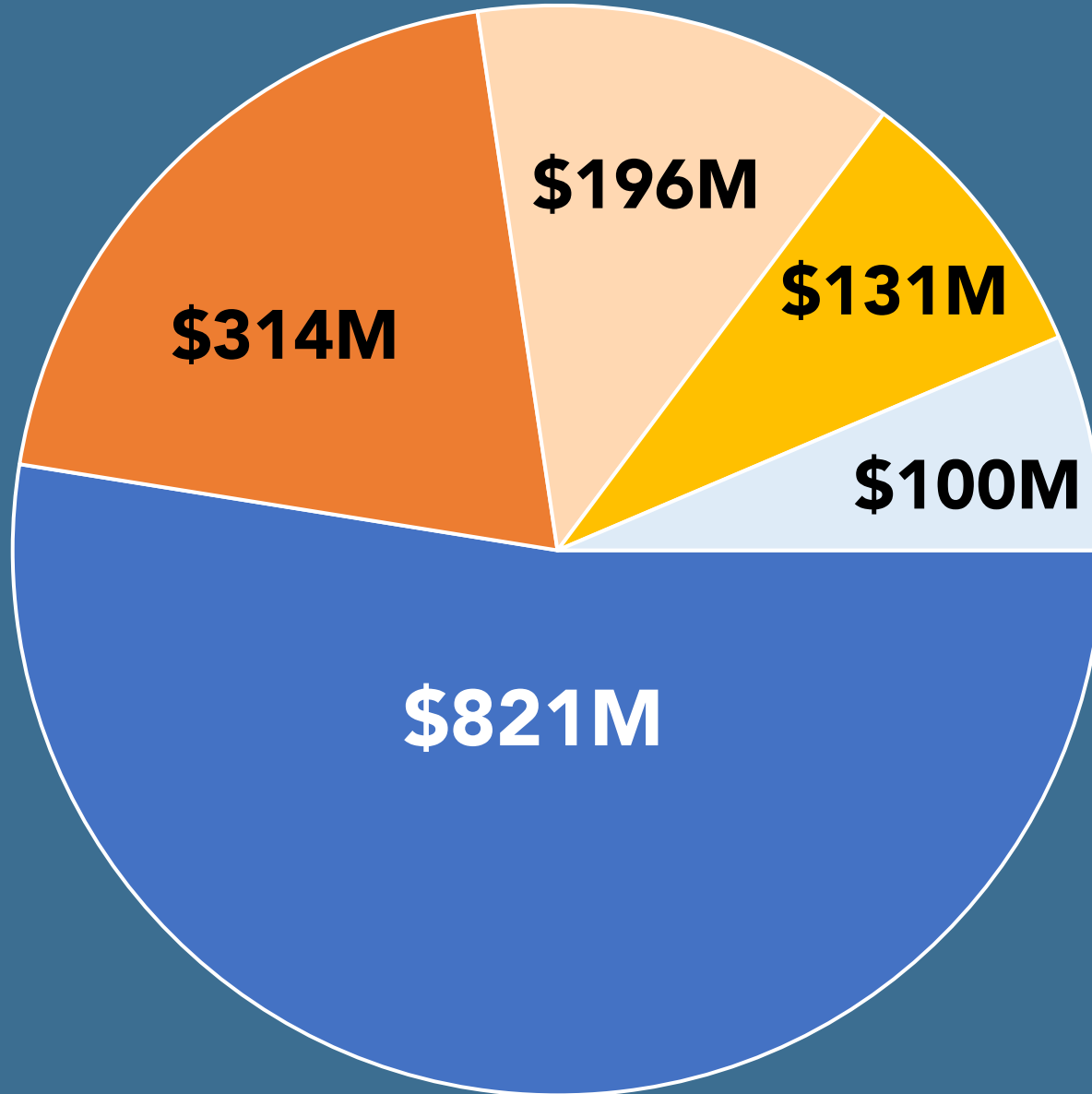
■ Quality and Targeted Programs

■ Administration

Budget Picture Including All Federal and Carryover Funds

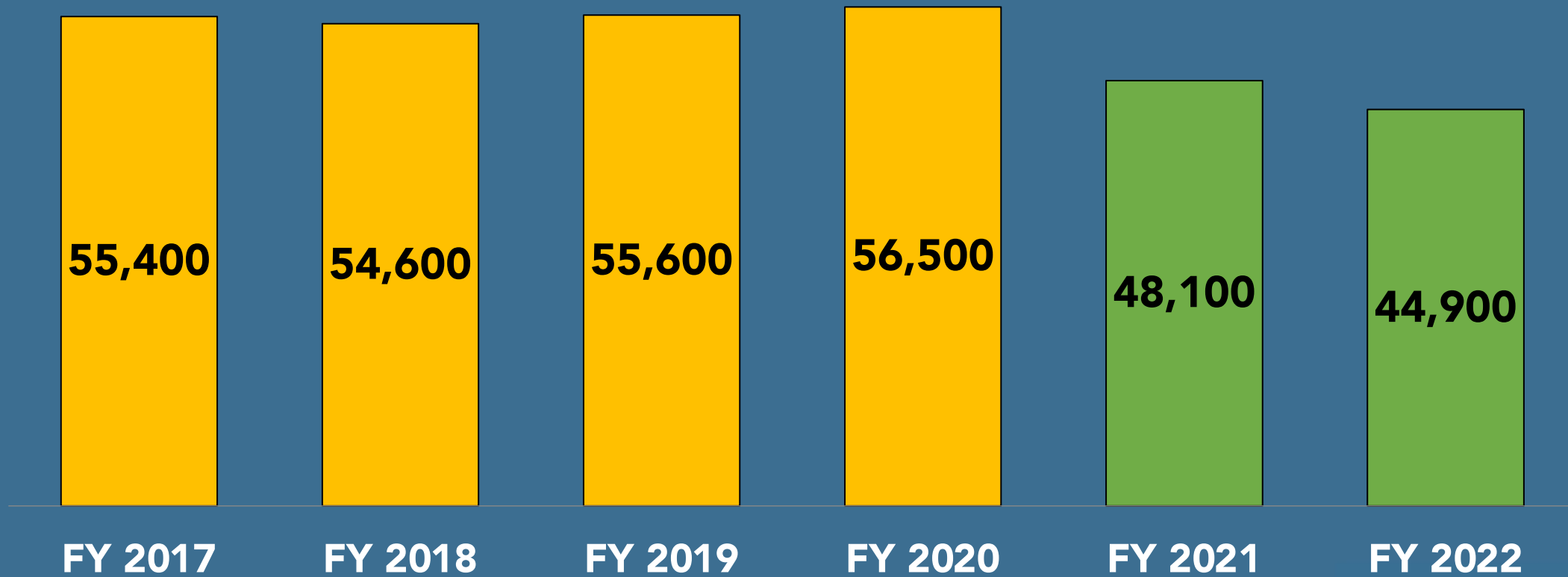


**FY 2022
Adjusted
Funding
\$1.56 billion**



- Traditional Line Items
- Federal ARPA COVID Relief - C3
- Federal ARPA CCDBG - Pending Funds
- Federal CRRSA COVID Relief
- EEC Operational Reserves

Number of Children Served by EEC Has Remained Flat, Dropped During COVID-19 Pandemic



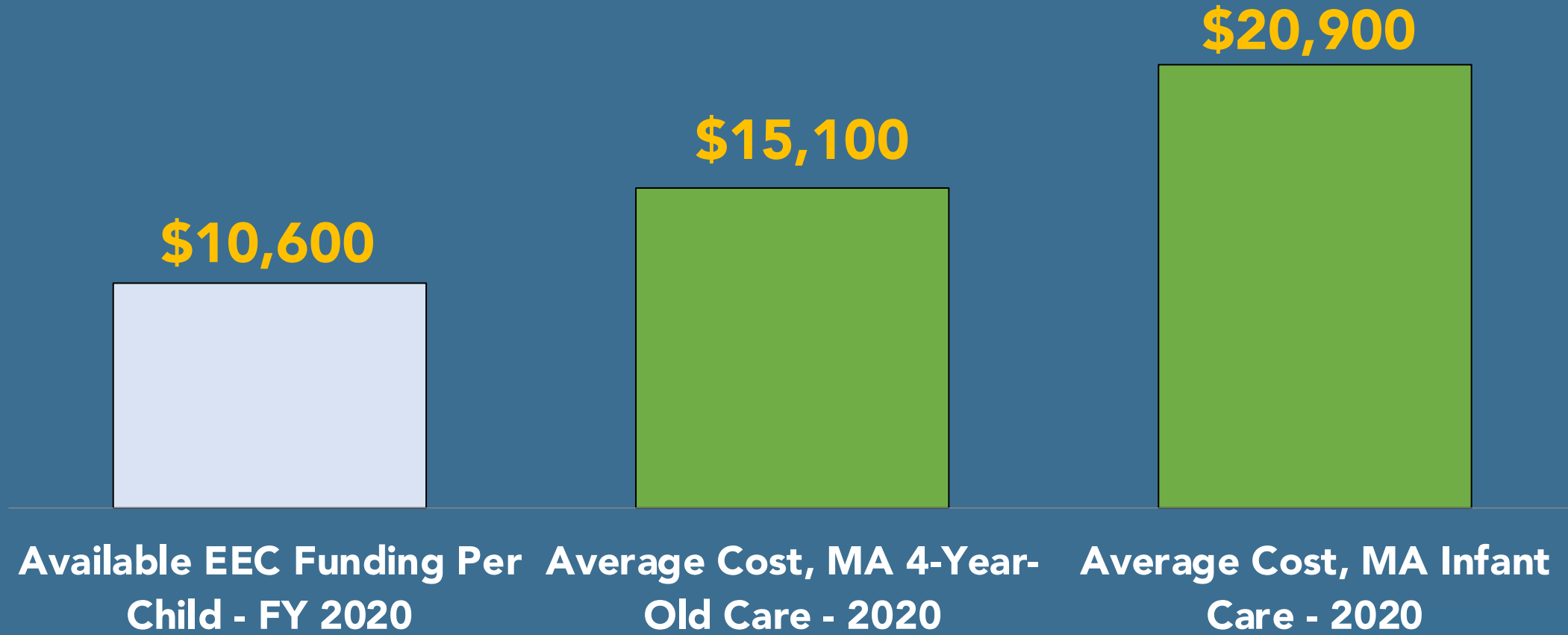
Department of Early Education and Care, FY 2017-FY 2020 average annual figures, FY 2021- FY 2022 most recent data (June, October 2021)

Waitlists in Early Education Have Persisted, Dropped During COVID, On Rise Again



Department of Early Education and Care

EEC Funding is Far Below the Cost of Care in Mass.



Department of Early Education and Care April 2020, Economic Policy Institute

Early Education Budget in the COVID Era

- Pre-pandemic, FY 2021 was shaping up to be a strong year for EEC funding. Onset of the pandemic led to level funded budget from July-October 2020.
- Budget revisions added specific recovery programs, including waiving family fees & boosting support for EEC workforce – resulting in \$186M total increase (25% in one year!)
- This support made a difference in addressing extremely difficult conditions in the EEC field during the pandemic

Early Education Challenges During the Pandemic

- Initial recovery funding was small & focused on subsidized care, not the wider system, unable to prevent financial crunch within the sector
- All providers could use broad programs like UI and PPP (about 20% participated as of June 2020)
- Tuition loss from shutdown, reduced enrollment, new regulations/safety measures, higher operating costs, driving financial strain. Pressure on funds for staff, rent, other key costs. Effects carry forward to lower capacity now

6 Pieces of Federal COVID Legislation - \$114 Billion to Massachusetts



Coronavirus Preparedness and Response Supplemental Appropriations Act

March 6, 2020

Coronavirus Aid, Relief and Economic Security (CARES) Act

March 27, 2020

Coronavirus Response and Relief Supplemental Appropriations Act

December 27, 2020

Families First Coronavirus Response Act



Paycheck Protection Program and Health Care Enhancement Act



American Rescue Plan Act



Where is all this money going? Mostly not into the state budget

- **Straight into pockets**
 - Economic Impact ("stimulus")
 - Unemployment insurance
 - Payroll Protection Program loans
- **New federal initiatives like Child Tax Credit**
- To communities (cities and towns, higher ed, health centers, housing authorities, transit)
- **Through state agencies (mostly—but not all—for federal grant programs like LIHEAP, school meals, Head Start, new programs such as ESSER for K-12)**

American Rescue Plan

Selected Estimates - Mass. Totals

State Fiscal Recovery Funds	\$5.29 billion	Emerg. Rental Assist. Prog (ERAP)	\$422 million
Local Fiscal Recovery Funds	\$3.39 billion	Vaccine support	\$312 million
K-12 Public Schools (ESSER)	\$1.83 billion	Housing Choice Vouchers	\$273 million
Transit Programs	\$1.18 billion	Epidem/Labs for school testing	\$208 million
Higher Education (HEERF)	\$841 million	Fuel assistance	\$187 million
Affordable Care Act Coverage	\$600 million	Homeowner assistance	\$179 million
Child Care	\$538 million	Capital Projects	\$175 million

ARPA State/Local Fiscal Recovery Funds

ALLOWABLE USES

- Public health
- Addressing economic impacts
- Replace lost revenue
- Premium pay for essential workers
- Water, sewer, broadband

- **Community engagement encouraged**
- **Addressing disparities in impact encouraged**
- **Citizenship not mentioned**

DISALLOWED USES

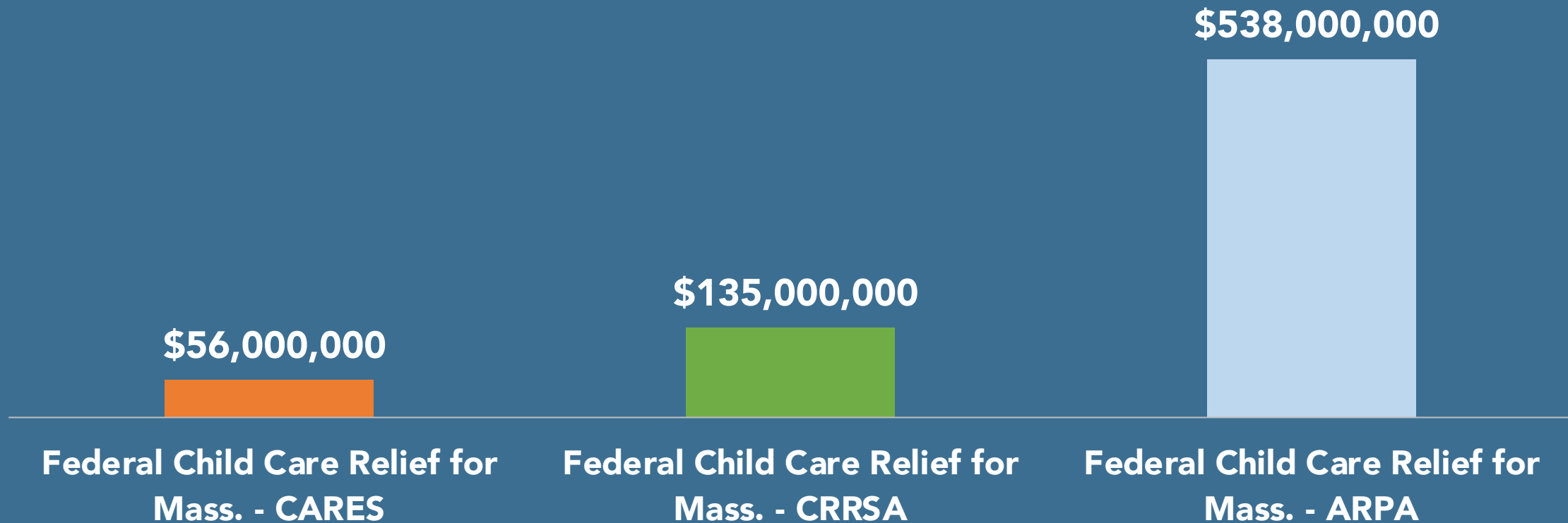
- Cannot use to fill in for tax cuts
- Cannot deposit in pension funds
- Cannot fund debt service
- Cannot deposit in Rainy Day Fund
- Cannot use for general infrastructure (beyond allowable uses for revenue loss)

Federal Relief Supported Early Education

- Early education support in the several federal relief bills. Not as much funding as K-12 schools, but significant, greater opportunities ahead
- Three federal relief bills contained nearly \$730M in additional support for EEC, mostly stabilization and block grants
 - \$56M in CARES (March 2020), \$135M in CRRSA (December 2020) and \$538M in ARPA (March 2021)
- First round focused on subsidized care (e.g., childcare block grants to support caseload programs) larger CRRSA & ARPA funds used more flexibly for the entire field

Early Education and Care Funding Enhanced by Federal Relief Grants

Federal COVID Relief Grants for Massachusetts, CARES Act (April 2020), CRRSA (February 2021), American Rescue Plan (April 2021), including off budget items



Source: Executive Office of Administration and Finance

Federal Relief Provides Significant Opportunities, Has Limitations

- Federal relief has not equaled total losses during shutdown combined with higher operating costs of the pandemic. Funds have moved slowly and under complex rules at times, but learning, improvement, and innovation continues!
- Relief will expire. Federal grants can be a bridge, not a substitute, for sustained state support of our EEC goals!

FY 2022 Budget for Early Education

- Favorable revenue picture, ~\$5B surplus in FY 2021 some of which can be spent, allowed upgrade of FY 2022 revenue, higher figures for individual line items as budget process unfolded
- **Influx of federal funds - \$131M in CRRSA, moved to FY 2022, over \$530M coming from ARPA, fed the dramatic increase to EEC budget since FY 2020**
- EEC carrying over its own unspent funds from last year into FY 2022 as well, further bolstering the field

Impact of Federal ARP Funds

- The American Rescue Plan (ARPA) had numerous components beyond EEC stabilization and block grants, including funds that will flow into the FY 2022 budget
- \$2.5B of the flexible state fund was allocated in December, some remain to be deployed in 2022. **\$3.4B** in other flexible funds went directly to cities/towns.
- This creates other budget processes in months ahead which may intersect with the traditional one. In EEC and beyond, stakeholders can engage on how the state, cities, & towns should spend these dollars.

ARPA State Recovery Bill

- In December, legislature passed \$4 billion in ARPA fiscal recovery funds along with leftover state funds from FY 2021. Likely the first of at least two bills, roughly \$2.3 billion in these ARPA funds remain
- Range of areas – workforce/economy, climate, housing, health, education
- Highlights – \$500M bonus pay for essential workers, \$500M for UI fund, small education pieces largely for capital costs, very little specific to early education

Implementing CRRSA & ARPA Early Education Funds

- Last summer, Department of Early Ed and Care set plans for the relief funds, and integrated it into their strategic plans
 - Highlights – revision of parent fee system, new Commonwealth Cares for Children (C3) distribution formula using federal aid dollars
- EEC planned to deploy \$131M from CRRSA and \$196M from ARPA for systemic improvements, workforce/provider supports, & subsidies. Remaining \$314M from ARPA has going into C3 grants. Uses of the \$196M in ARPA not for C3 will be likely be confirmed in the next supplemental budget in the coming months

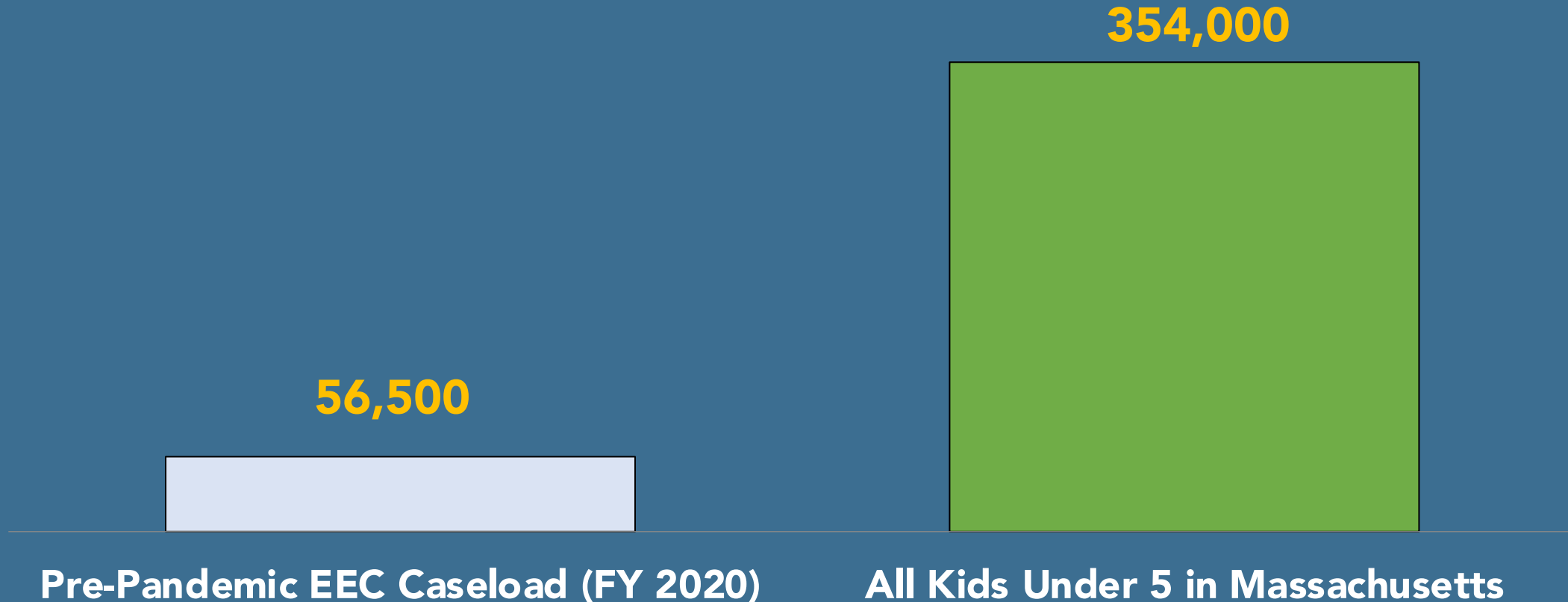
Mid-Year Updates from the Early Ed Budget

- Restoration of family fees under revised fee schedule in February, with low-income families exempt, overall burden greatly reduced
- Significant take-up of C3 - 79% of eligible providers involved. Higher among subsidized, low-income, Gateway communities and FCC. EEC plans to extend C3 to full year.
- EEC projection of \$170M spent over 6 months for C3 may mean full year extension may be less costly than it seemed at start of the initiative
- Challenges remain - increasing teacher pay, workforce shortages, and the number of kids we can serve in EEC given the limitations of COVID.

The Next Frontier – Universal-High-Quality-Affordable Care in Mass.

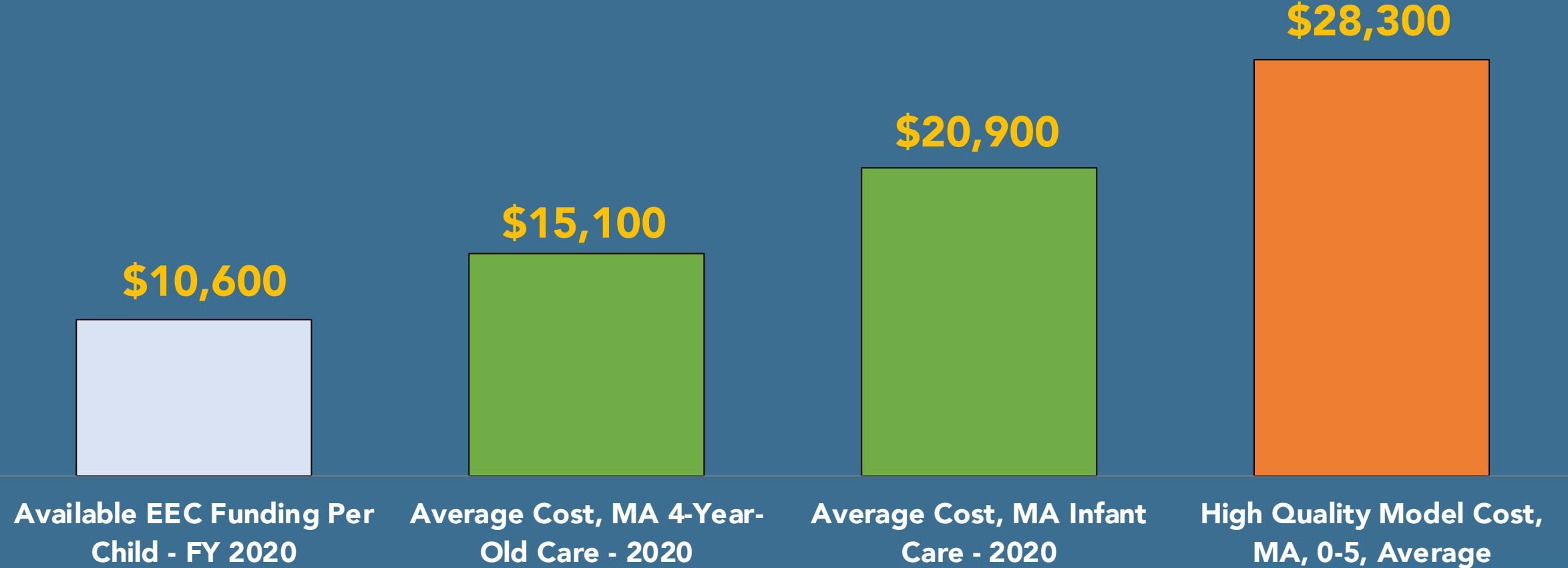
- While we work on immediate crisis, we can move towards goal of universal/public, affordable care across the state. Measures to address COVID also build towards the long-term
- MassBudget work from 2021, a cost model for this concept, is available as a resource to contribute to the conversation.
- All of us must come together to advance a shared vision

Few Kids Under 5 Have Public Support for Early Education and Care



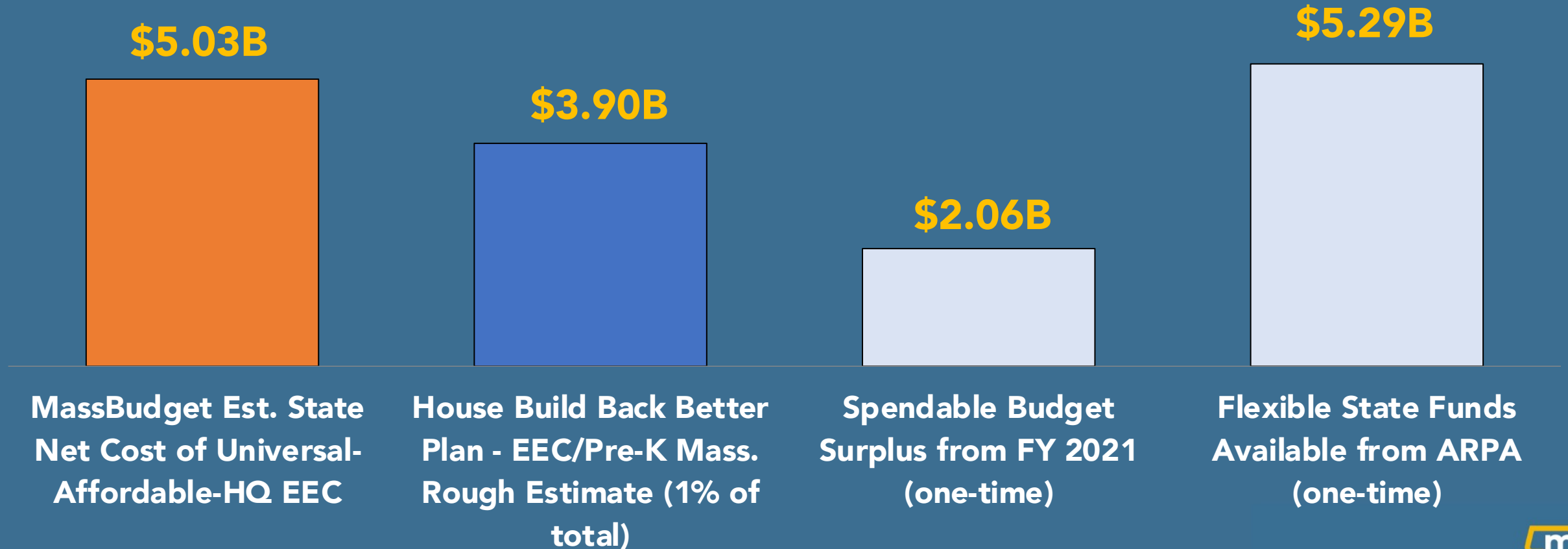
Department of Early Education and Care, MassBudget

The Next Frontier - Funding to Support the True Cost of Quality Care



Department of Early Education and Care April 2020, Economic Policy Institute, MassBudget, Center for American Progress

Universal Affordable High-Quality EEC - More Realistic Than We Think?



MassBudget, Center for Law and Social Policy, Mass. Taxpayers Foundation, Executive Office of Administration and Finance

Takeaways Moving Forward

- Interplay of federal aid, and state surplus, with new needs specific to COVID recovery and long-term goals. How flexibly, strategically, aid is used by Mass. is critical. Multiple funds can support the same goals!
- EEC investment supports kids/families, but also wider economy to further helps us get back to work with stable & quality care
- Optimistic budget outlook helps for beating the pandemic, stabilizing the field and getting well beyond with C3, other investment plans
- Community involvement is what we make it!