

## Road to Recovery: How to Safely Reopen Early Education in Massachusetts

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### Introduction: The Closing of Child Care During the Pandemic

Maintaining a system of quality early education and care where all young kids can safely learn and grow in an enriching environment is vital to our children and to the recovery of our economy from the COVID-19 outbreak. MassBudget finds that to bring the early education and care system out of closure and maintain enhanced operations for all families, would take investment of an estimated \$690 million over the next 5 months.

We are in a crisis moment. If significant federal and/or state funding is not provided soon -- the negative impacts of an un-resourced early education sector will continue compounding the economic, racial, and gender inequities that already exist in our state. This is true for low income and low wealth families and others who lack the ability and resources to keep kids home for an extended period of time. Emerging research about COVID-19 suggests that families of color, particularly Black families, have been disproportionately affected by the virus; while data from Massachusetts shows that people of color have dramatically less wealth and fewer financial assets to fall back on to address the crisis. [1]

To help slow the spread of the virus Governor Baker announced the closing of all child care facilities as of March 23rd, with the exception of selected emergency centers across the state. [2] The closing was originally planned to last through June 29th. However, it ended earlier based on the state's reopening plan, which included early education in the second phase starting June 8th. [3]

Even before the current crisis, the child care sector in Massachusetts faced significant challenges in meeting the needs of kids and families. Statewide, there are over 360,000 kids ages 0-4. [4] Many of these children are served by the roughly 8,200 early education providers

### Snapshot of Findings

- Accessible early education and care for young kids and their families is vital to the recovery of our economy from the COVID-19 crisis. Low-income families and families of color are more likely to have been particularly affected by the closures of child care during the pandemic.
- Early education providers have lost up to \$250 million in private tuition each month during the shutdown and federal assistance has not been enough to recoup this loss. Families with options, such as keeping kids home with family or private caregivers, may choose to move away from group child care entirely, further financially destabilizing the system
- It may cost providers 20% more to operate as they face new safety protocols, programmatic changes, disruptions in enrollment, and the lost revenue from closure.
- To help centers meet these challenges, MassBudget proposes that the state provide roughly \$690 million in new, dedicated funding for early education over the next 5 months.

across Massachusetts, made up of 35 percent child care centers and 65 percent family child care homes. [5]

Parents seeking care for their young children face a market that features the highest cost of care of any state. [6] Lower income families eligible for subsidies face waitlists of nearly 15,000 children. [7] The child care market is also segmented, with 15 percent of providers serving primarily subsidized families, about 35 percent serving a mix of private and subsidized, and about half serving exclusively privately paying families. [8]

Unfortunately, state subsidies are generally below market rates for quality care across the state, particularly for centers, resulting in limitations on how many kids can be served. [9] Many child care providers report that they are unable to accept children funded by state subsidies because those rates are too low to make it financially viable. This means that there are fewer child care options available for low-income families, and that providers who do accept children funded by subsidies often have to make up for those low rates by charging higher rates to private-pay families. Early education teachers have also reported low salaries, ranging between \$12 and \$18 hourly when surveyed in 2018 (\$25,000-\$37,000 annually for a year of full-time work adjusted for inflation). [10]

These challenges fall particularly hard on a workforce that is almost entirely women, and with more people of color and foreign-born workers compared to Massachusetts at large. [11] Overall, due to the lack of public investment, early education primarily relies on private sources for close to 60 percent of all its revenue in Massachusetts. [12]

The COVID-19 pandemic has significantly disrupted the early education system. Starting in March, about 550 providers (roughly 7 percent of pre COVID-19 capacity), including centers and family child care homes, served as emergency programs for essential workers. Although there is space for 10,000 children, only about 4,000 children are using the emergency system. [13] Several centers have reported that the rates paid by the state for emergency care are too low relative to the costs of running these modified programs, which have higher costs due to needs such as additional cleaning supplies. [14] As it stands, the state is paying emergency providers less than would be necessary to cover the full cost of each child. However, a mix of these emergency payments, private family tuition that may still be collected, continuing state subsidies for low-income kids, and any other available sources for providers, can be mixed together to help them weather the challenges of COVID-19.

Despite these measures, the closure of child care in the Commonwealth put many providers at financial risk. Early education providers that faced steep drops in revenue may be unable to cover key expenses such as staff, rent, and insurance costs. As the state-mandated child care closure concludes, more providers are at risk of closing permanently unless there is a significant new source of funding, perhaps from the federal and/or state governments.

Private early education providers have been able to benefit from new federal COVID-19 relief programs. This includes the Paycheck Protection Program (PPP), which provides loans to small businesses keeping workers employed (in certain circumstances, these loans can be

forgiven), and expanded unemployment benefits to provide income to workers who have lost their jobs. [15] However, these programs have faced intense demand and may not continue to be replenished by the federal government. The PPP quickly ran out of its initial \$349 billion, leading to a second infusion of \$321 billion from Congress in late April. [16] According to a recent survey of Massachusetts child care providers, one-fifth received PPP loans, presumably about 1,600 providers. [17] However, 43 percent of group care centers are receiving PPP support, far greater than the percentage of family child care centers receiving support. Additionally, national data suggests that the loan amounts child care providers received have generally been small, with the majority under \$100,000, which amounts to roughly half of average annual revenue for a single classroom of private-pay toddlers in Massachusetts. [18]

Up to this point, the state has continued to pay subsidies and cover family fees for subsidized children whose care providers have closed. Additionally, as part of federal relief legislation, the state received an extra \$45.7 million that can be used to shore up the child care system and to cover COVID - 19 related child care needs, along with an estimated \$10.5 million for federally-funded Head Start programs based in Massachusetts. [19] However, this relatively small amount of funding is less than 10 percent of the state's early education budget. [20]

Without significant additional funding from the state or federal governments, the early education system in Massachusetts will be unable to reopen successfully and remain financially viable over the coming months as parents return to work.

### **The Lessons for Reopening from Emergency Care**

Even though there are still unanswered questions about what early education will look like as the system reopens, there are some important lessons from the practices of the emergency care program to consider during reopening.

Safety procedures being implemented by emergency programs offer a preview of what all providers may face as they reopen in the coming weeks. Programs will have to submit detailed safety plans in line with detailed guidelines released by the Commonwealth on June 1st. [21] The changes include strict dropoff procedures, reduced group sizes, enhanced cleaning, modified curriculum and materials, use of personal protective equipment, and social distancing.

Providers face a difficult task in quickly preparing for these new measures while also attempting to figure out how they will cover the costs of normal operations as well as these new expenses. The additional financial strain is particularly acute in the context of lost revenue incurred during the shutdown, estimated at \$250 million per month from lost private pay tuition in Massachusetts alone. [22] It also is unclear if there will be adequate public funding to cover new safety costs until COVID-19 prevention measures can be relaxed.

Because early education overall relies primarily on fees from private paying families, individual families' decisions about reopening may also lead to dramatic changes across the system. Families with other options, such as keeping kids home with family or private

caregivers, may choose to move away from group child care entirely. These actions could further financially destabilize the system. Since subsidized kids benefit from providers being able to blend public and private funds, the withdrawal of private paying families could lead to further instability and inequality in care.

### A Bolder Agenda to Sustain the Early Education System

Across the country, early education advocates have argued that there needs to be bold investments to ensure that safe and accessible child care is available to all young children, especially for the families most affected by the pandemic. Such proposals would ensure that early education programs would be able to resolve the lingering budget challenges from closures, and also support the additional resources necessary to operate safely in the new and more difficult environment. [23]

Although the state has continued to support the early education system during its closure by maintaining payments for publicly-subsidized families, we estimate the early education field overall has lost up to \$536 million during the closure (see discussion and table below).

The Department of Early Education and Care reported that early education providers lost extensive amounts of private tuition over the past 3 months. [24] However, there were several available sources of funding that covered some of this. About 20 percent of providers received a PPP loan. The CARES Act federal relief package also provided some dedicated funding for child care. Finally, the Commonwealth invested significant resources in emergency child care payments, another source of revenue for the providers who opted into this temporary system. [25]

#### Child Care Providers Lost up to \$536M in Tuition During Closure

Early Education Funding Source	Financial Impact
Private Revenue Lost During Shutdown	- \$750,000,000
PPP Loans to Providers (if proportional at 20%)	\$150,000,000
CARES Act Dedicated Funding	\$46,000,000
Emergency Child Care State Payments	\$18,000,000
<b>TOTAL</b>	<b>-\$536,000,000</b>

This \$536 million is only an estimate of the amount lost during the closure. It does not include additional funding necessary to support child care providers in meeting the new safety measures and related changes. As mentioned above, these include new regulations on group sizes, employing protective equipment, acquiring cleaning supplies, and updating curriculum and materials.

It is also likely that there will be notable changes to the nature of child care that will have significant financial repercussions, and that will significantly affect equity for families across the Commonwealth. For example, it is possible that some families that can afford to do so will choose not to return their children to group care at all because of concerns about infection. This could put more pressure on family child care or could mean an exodus of a portion of private paying families and private dollars out of the system entirely. There may also be changes that will affect funding needs driven by teacher decisions about whether or not to return to the job, depending on the teaching environment and prevailing wages.

One model for child care recovery found that emergency care, and by extension, child care with COVID-19 precautions, costs roughly 20 percent more than normal operations. [26] Applying this adjustment to estimated annual child care revenue in Massachusetts would suggest the need for about \$30 million in supplemental funding each month to account for new operations in child care post COVID-19. [27] Assuming 5 months of supplemental funding from June to October for providers to adjust their programs, this would total approximately \$150 million.

The funding needed to bring the system out of closure and then maintain enhanced operations in the months to come, would take investment of an estimated \$690 million over the next 5 months. This would effectively double early education and care funding over current levels in the state budget. [28] This level of unprecedented investment would highlight the vital role of early education for our children, our families, and for our economic recovery, and also acknowledge the interconnectedness of our child care system for families that rely on public support and those who pay privately.

Moving forward on the successful reopening of child care and marshalling the resources, will require the Commonwealth to use all available means, such as seeking more federal aid, raising revenue, and using state savings in order to fund the early education system through the crisis and the numerous challenges of reopening. These measures could help us create a comprehensive plan to reopen in a safe and sustainable way that ensures that all children get the services they need, while teachers and providers are protected and can make ends meet. In turn, parents and families, particularly low-wealth families and people of color, will have access to the care their children need so they can get back to work and contribute to wider recovery in Massachusetts.

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