

# Investment in Early Education and Care in Massachusetts

CELEBRATING SUCCESSES, LOOKING AHEAD



**The Boston  
Foundation**

  
**RENNIE CENTER**  
EDUCATION RESEARCH & POLICY

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# EXECUTIVE SUMMARY

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During the COVID-19 pandemic, federal relief funding flowed into the Massachusetts early education and care sector to stabilize providers and preserve affordable access to education and care for families. In the years since, the Massachusetts state government has maintained this heightened level of investment, resulting in significant progress in improving access to education and care as well as its affordability and quality. Seat capacity, access to child care subsidies, and early educator compensation are all on the rise. Now, to further this progress and leverage the current moment as a springboard toward a robust financial future, the sector is faced with a key question:

## **How can the Massachusetts early education and care sector capitalize on its newfound level of investment to build a nation-leading, coordinated funding model?**

This is the question we examine in this report. We begin by taking stock of recent investments in early education and care in Massachusetts and their impacts. We highlight where funding comes from (“funding sources”) and break down how funding is disbursed (“funding streams”), noting major developments since the onset of the pandemic—including an overview of recent successes and challenges for select funding streams.

FUNDING SOURCES	CATEGORIES OF FUNDING STREAMS
Federal government	<b>Service delivery funding</b> directly supports providers in operating early education and care programs.
Massachusetts state government	
Municipal governments	<b>Supportive services funding</b> finances third-party training and assistance for providers to meet specific needs and improve quality.
Philanthropic organizations	
Employers	<b>System infrastructure funding</b> promotes the overall functioning of the sector, including investments in workforce development, intermediaries that administer funding, and advocacy.
Families	

From this analysis, we summarize the high-level successes that the sector can draw upon in charting its future, as well as the high-level challenges that remain critical to address.

### High-Level Successes

- The sector’s importance has become more broadly recognized.
- Commitment to sustaining investment is high.
- Cohesion within the sector has increased.

### High-Level Challenges

- Investment remains insufficient to cover the true cost of services.
- Attracting and retaining talent is difficult given current compensation levels.
- The mixed delivery system complicates broad-based solutions.

We then look to the future and consider how the sector can build a coordinated funding model that lays a foundation for further investment. We ground our discussion in fundamental questions about the future of funding for early education and care in Massachusetts.

## FUNDAMENTAL QUESTION 1

### **Where should funding come from to cover the true cost of early education and care?**

Various funding sources could play a role in bridging the gap between the current level of investment and the amount needed to support high-quality education and care, including fair staff compensation. We consider the extent to which early education and care should be a public good; the roles of local, state, and federal governments and private entities in providing funding; and ways to sustain the commitment to funding early education and care.

## FUNDAMENTAL QUESTION 2

### **How can the sector coordinate funding streams to create an efficient, unified funding system?**

Current funding streams make up a patchwork funding system that can be difficult for providers to navigate. To create a more unified system, we consider which funding streams should constitute the pillars of the system; how to design funding streams to address providers' unmet needs; and how to make funding streams more accessible to providers.

## FUNDAMENTAL QUESTION 3

### **How can the sector best leverage the mixed delivery system?**

The sector is made up of a mix of providers that deliver center-based, home-based, and school-based early education and care. A coordinated funding system can strategically support providers across the mixed delivery system to ensure robust choices for families. We consider the role of public schools in the early education and care landscape and ways to support the most under-resourced domains of the landscape, namely family child care and infant and toddler care.

## FUNDAMENTAL QUESTION 4

### **How can the sector advance the early educator profession?**

Low compensation for early educators has made it challenging for the sector to attract and retain staff, resulting in labor shortages that compromise the availability and quality of education and care. Workforce development is therefore a key priority for the sector. We consider how to create robust career pathways for early educators and how to raise staff compensation across the board.

Our analysis traces the increasing role of the government, especially the Massachusetts state government, in supporting the sector—a shift that holds promise for promoting financial stability and offering the potential to succeed where the private market has fallen short in expanding access to high-quality, affordable early education and care. At the same time, stakeholders across the sector have mobilized to increase support for providers and families. Noting these trends, we make several recommendations for collective action to further strengthen early education and care in Massachusetts.

## Recommendations

- Determine the feasibility of creating a foundation budget for early education and care providers.
- Invest more in preschool partnerships, for instance by incentivizing local investment with matching dollars through the Commonwealth Preschool Partnership Initiative (CPPI).
- Ensure that early educator career pathways support opportunities for career advancement outside of higher education.
- Create a centralized, user-friendly online platform for providers to access information on and apply for available funding.
- Expand funding to subsidize the cost of early education and care for the children of early educators.

By celebrating the successes of recent years and looking ahead to the creation of a coordinated funding system, the early education and care sector in Massachusetts can leverage this moment to chart a course for its financial future. Optimizing the use of current funding is critical to laying the groundwork for increased future investment. In doing so, Massachusetts can continue to make great strides in supporting providers, families, and children—advancing economic opportunity and whole-child development across the state.

# INTRODUCTION



## INTRODUCTION

For many years, the early education and care market in the United States has faced financial challenges. Tuition prices for families have been exceedingly high, equivalent to 8-19% of median family income depending on location,<sup>1</sup> yet they have remained insufficient to cover providers' costs and support adequate compensation for staff, with the median hourly wage equaling \$13.71 in 2022.<sup>2</sup> Compounding the problem, government subsidies aimed at increasing access to care for low-income families typically reimburse providers at rates below the cost of care, and the demand for subsidies far exceeds the supply. In Massachusetts, where the price of early education and care is among the highest in the nation,<sup>3</sup> stakeholders have been working for decades toward solutions to these challenges, but meeting both family and provider needs has proven difficult.

In 2020, the COVID-19 pandemic sparked a sea change for the early education and care sector. As providers shuttered their operations due to costly public health restrictions and the economic downturn, many parents of young children were unable to find early education and care and had no choice but to withdraw from the workforce.<sup>4</sup> This laid bare a lesson long known to those working in the sector: Early education and care is critical to the health of the economy.

What followed was an influx of investment to bolster the sector from many sources, including federal, state, and local governments, philanthropic organizations, and employers. Notably, all levels of government assumed increased responsibility for the sector's financial stability: The federal government allocated \$730 million in pandemic relief funds for early education and care in Massachusetts, the annual budget of the state's Department of Early Education and Care (EEC) has doubled, and municipal investments in pre-kindergarten programs have grown.



These investments reflect a shift from the prevailing market-based model for early education and care, one in which the government's primary contribution is covering costs for low-income families, to a model in which public dollars play an increasingly central financial role. This shift holds promise for the sector's sustainability and its potential to succeed where the market has fallen short—in expanding access to high-quality, affordable early education and care that prepares more children for lifelong success.<sup>5</sup>

This unprecedented level of investment and the shifting financial role of the government has catalyzed renewed optimism among stakeholders and enabled advancement of the sector's priorities: improving access, affordability, and quality of education and care, and strengthening the workforce. Recent signs of progress on these fronts are promising. For instance, the seat capacity of the sector has increased, eligibility for subsidies has expanded, and staff compensation has risen.<sup>6</sup> Given these developments, the current moment presents a powerful opportunity for the sector to reflect on its successes, identify challenges that persist, and lay the stepping stones toward a robust financial future by addressing a key question:

## How can the Massachusetts early education and care sector capitalize on its newfound level of investment to build a nation-leading, coordinated funding model?

This is the question we examine in this report. We begin by taking stock of recent investments in early education and care in Massachusetts, assessing their successes and challenges. We then consider how funding can best support the sector going forward, grounding our discussion in fundamental questions about the future of the sector's funding model. By looking back to look ahead, stakeholders can leverage this exciting moment for early education and care as a springboard to fortify the sector long-term, advancing economic opportunity and whole-child development across Massachusetts.

## METHODOLOGY

Our research included three types of data collection.

- **Review of existing research:** We reviewed previously published reports and data related to the impacts of recent investments in the sector.
- **Stakeholder interviews:** We conducted 24 interviews with stakeholders from across the early education and care sector in Massachusetts, including advocates, researchers, philanthropists, business community leaders, and state and municipal government officials.
- **Provider focus groups:** We held five focus groups with providers from across Massachusetts, including family child care providers, small and large group and school-age providers, school-based providers, and Head Start/Early Head Start providers.

The aim of this report is to summarize themes that surfaced through our data collection about the impacts of recent investments in the sector and future directions for a coordinated funding model. We hope to provide a launch pad for further conversation. Our research focused on investments that support children aged zero to five.

# Overview of the Mixed Delivery System

Early education and care in Massachusetts is delivered by various types of providers, and families choose their provider from the marketplace of options. This model, referred to as a mixed delivery system, is analogous to the healthcare system, where care is offered in many settings and consumers are free to choose between them. There are four main types of providers:

- **Family child care providers** deliver care to children in their home. They are licensed by EEC.
- **Group and school-age child care providers** deliver care to children in a community-based setting, such as a center. They are licensed by EEC.
- **Head Start and Early Head Start providers** are federally funded and regulated programs that offer care and wraparound services for low-income children aged zero to three (Early Head Start) or three to five (Head Start).
- **School district pre-kindergarten programs** are run by school districts to provide care for four-year-olds (and sometimes three-year-olds as well). They are overseen by the Department of Elementary and Secondary Education (DESE).

Other types of providers play smaller but important roles in the sector, such as family/friend/neighbor care providers, nannies, au pairs, private schools, religious institutions, military bases, residential care providers, drop-in centers, and home visiting agencies

## GLOSSARY OF TERMS

For an overview of terms related to early education and care in Massachusetts, refer to the [Early Childhood 101 \(EC101\) Glossary](#).<sup>7</sup>

Note that “high-quality early education and care” lacks a consensus definition. For an overview of the components that may constitute a quality framework, refer to EEC’s guidance on [Promoting High Quality Early Education and Care](#).<sup>8</sup>

# Timeline of Notable Actions

The timeline below provides an overview of key investments, policy shifts, and partnerships that have taken place in the early education and care sector since the onset of the COVID-19 pandemic, setting the stage for the sector's continued advancement.



AUGUST 2022

**The City of Boston is awarded the federal Good Jobs Challenge Grant.**

The City of Boston secured \$23 million from the Good Jobs Challenge Grant, a competitive grant offered by the U.S. Department of Commerce's Economic Development Administration and funded through ARPA. This funding supports the creation of regional workforce training systems for three sectors, including early education and care.

NOVEMBER 2022

**Massachusetts voters approve an income surtax on high earners to fund education and transportation initiatives.**

Voters approved a ballot initiative creating a 4% surtax on annual income earned over \$1 million, with the resulting revenue to be used for education and transportation initiatives—which may include early education and care.

APRIL 2023

**President Joe Biden signs an executive order with numerous initiatives to support early education and care.**

<sup>16</sup> The President's Executive Order on Increasing Access to High-Quality Care and Supporting Caregivers directed the federal government to increase compensation for Head Start staff, eliminate barriers to accessing child care subsidies, improve subsidy reimbursement rates, provide guidance to school districts on how to expand early learning offerings, collect data on early educator wages, and implement many other initiatives to improve access, affordability, and quality while supporting the workforce.

JANUARY 2024

**Governor Maura Healey announces a "Gateway to Pre-K" agenda and signs Executive Order 625, establishing a whole-of-government approach to ensuring affordable, high-quality early education and care.**

<sup>19</sup> Governor Healey outlined four priorities for the sector: 1) Achieve universal access to preschool for four-year-old children in Gateway Cities, 2) Make permanent the C3 grant program, 3) Increase the income eligibility threshold for child care subsidies from 50% to 85% of the state median income, and 4) Establish an interagency task force (established through Executive Order 625) to make recommendations for strengthening the sector.

OCTOBER 2022

**The Early Childhood Agenda launches.**<sup>14</sup> Many stakeholders in the early childhood space, led by Strategies for Children, came together to outline a set of priorities for meeting the needs of young children in Massachusetts and their families. The Early Childhood Agenda has promoted greater cohesion and coordination within the sector. It has also elevated the work of the Common Start Coalition, a group of organizations and advocates founded in 2018 that champions state legislation to make high-quality early education and care more affordable and accessible statewide.

JANUARY 2023

**Massachusetts Early Childhood 101 (EC101) goes live.**<sup>15</sup> The Massachusetts Early Childhood Funder Collaborative launched EC101 to promote shared understanding and stronger coordination within the early childhood sector in Massachusetts. This online, interactive tool maps the services, systems, and programs that support children under age five and their families. The tool intends to demystify the complexities of the early childhood landscape.

JANUARY 2024

**The state receives federal approval to use a new methodology for setting reimbursement rates for providers that accept child care subsidies.**<sup>17</sup> Massachusetts received approval from the federal government to set reimbursement rates for child care subsidies using an estimated cost of care rather than a market survey that bases rates on tuition prices. In 2023, the state's combined use of a market survey and an estimated cost of care supported significantly increased rates, especially for providers delivering infant and toddler care and those in certain geographic regions. The federal approval will support further rate increases, bolstering a critical source of funding for the sector.

JULY 2024

**The fiscal year 2025 state budget makes the C3 grant program permanent and establishes a new revenue source to fund C3.** The fiscal year 2025 state budget included funding for Governor Healey's first three priorities outlined above. Most notably, it made the C3 grant program permanent and permitted the sale of state lottery tickets online, the revenue from which (an estimated \$100 million in fiscal year 2025) will support the C3 program. The budget also called for several studies to be conducted related to the sector, including on the methodology for estimating the cost of care, the creation of stronger workforce pipelines, and employer involvement in supporting the sector.

# TAKING STOCK

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Moving toward the creation of a nation-leading, coordinated funding model for early education and care requires first examining how recent investments have been deployed and what their impacts have been. In this section, we outline trends in funding since 2020 and spotlight the successes and challenges of key investments. We begin by considering where funding comes from (“funding sources”), then turn to how funding is disbursed (“funding streams”).

## Funding Sources

Funding for early education and care in Massachusetts predominantly comes from the federal government, state government, and families. Municipal governments, philanthropic organizations, and employers also contribute important dollars to the sector. The table below describes notable contributions and trends for these funding sources since 2020.

### **F** FEDERAL GOVERNMENT

Currently, the federal government funds:

- child care subsidies for families in need,
- Head Start and Early Head Start programs that provide early education and care for low-income families,
- special education services for young children, and
- discretionary dollars for states and school districts that can be invested in the sector—for example, through Temporary Assistance for Needy Families (TANF), the Social Services Block Grant (SSBG), and the Elementary and Secondary Education Act (ESEA) Title I-A.

The main vehicle through which the federal government provides funding is the Child Care and Development Fund (CCDF), which supports states in offering child care subsidies to families in need. The CCDF allocation for each state has two main components: a mandatory amount set through Child Care Entitlements to the States (CCES) and a discretionary amount set by Congress through the Child Care and Development Block Grant (CCDBG). In 2021, the American Rescue Plan Act (ARPA) permanently increased the mandatory amounts set through CCES. Nationally, CCDBG has also grown in size in recent years through federal pandemic relief legislation (CARES Act, CRRSA Act, and ARPA) and the federal budget, including a 30% increase in federal fiscal year 2023 and an additional 9% increase in federal fiscal year 2024.<sup>20</sup>

Temporary Assistance for Needy Families (TANF) is another major vehicle through which the federal government funds early education and care. TANF funding supports states in offering cash benefits to low-income families as well as various social services, such as early education and care. Massachusetts typically spends 30% of its TANF allocation on early education and care, equaling roughly \$300 million each year. The state transfers approximately 8% of the total TANF allocation to CCDF.<sup>21</sup>

During the pandemic, the federal government made multiple short-term investments in the sector. Most notable, apart from increased funding for CCDF, is ARPA’s investment in child care stabilization funds to be distributed by states directly to providers to cover operating costs.<sup>22</sup> In Massachusetts, these funds were administered as the Commonwealth Cares for Children (C3) program that has been codified in state law. ARPA also allocated discretionary dollars to states and municipalities that were frequently used to support early education and care.

Nationally, Head Start and Early Head Start have seen increased funding in recent years, from \$10.7 billion in federal fiscal year 2021 to \$12.3 billion in federal fiscal year 2024. In August 2024, the U.S. Department of Health and Human Services issued a new rule to increase staff wages, child mental health supports, and quality of education and care for Head Start and Early Head Start programs.<sup>23</sup>

## **S** MASSACHUSETTS STATE GOVERNMENT

Currently, the Massachusetts state government funds:

- operational grants for providers,
- quality improvement initiatives,
- partnerships that coordinate providers across the mixed delivery system,
- school district pre-kindergarten programs, in tandem with municipal governments, and
- workforce development initiatives.

In addition, state funds are braided with federal funds to support:

- child care subsidies, and
- Head Start and Early Head Start programs.

Massachusetts has demonstrated an increased commitment to funding early education and care in recent years by assuming responsibility for funding operational grants to providers through the C3 program. The state has also demonstrated a willingness to sustain that commitment by establishing the C3 program permanently in state law. Two new revenue sources—an income surtax on high earners and an online state lottery—have provided or are slated to provide critical support to the C3 program. Further, the state has more than doubled the annual operating budget of the Department of Early Education and Care (EEC) since fiscal year 2020, to over \$1.5 billion in fiscal year 2025, and has repeatedly committed funding to expand child care subsidies and increase subsidy reimbursement rates.

The state has also adopted a whole-of-government approach to supporting the sector, driven by an interagency task force, which has the potential to bring in new resources.<sup>24</sup> This spirit of collaboration is evident in the workforce development initiatives for the sector, an increasing area of focus that involves partnerships between EEC, the Department of Higher Education, and the Executive Office of Labor and Workforce Development.

## **FA** FAMILIES

Families currently contribute dollars to the sector by paying tuition or, in the case of families receiving child care subsidies, a required family contribution for their child's early education and care known as "fees."

Early education and care costs in Massachusetts are among the highest in the nation, averaging \$20,913 per year for an infant and \$15,095 per year for a four-year-old.<sup>25</sup> Inflation in recent years has increased the cost of providing care, applying upward pressure on tuition rates.

During the pandemic, fees for families receiving child care subsidies were waived, but they have since been reinstated. In February 2024, the U.S. Department of Health and Human Services issued a rule requiring fees to be capped at 7% of a family's income.<sup>26</sup>

## **M** MUNICIPAL GOVERNMENTS

In Massachusetts, municipal governments may fund:

- school district pre-kindergarten (pre-K) programs, in tandem with state government, and
- initiatives to expand access to pre-K.

However, municipalities may not offer either or both of these programs. Many school districts that offer pre-K operate programs that are part-day and/or for children with disabilities.

Several cities in Massachusetts have made increasing municipal investments in expanding access to pre-K in recent years, typically by growing school district pre-K programs and occasionally by leveraging the mixed delivery system. (Note that initiatives to coordinate providers across the mixed delivery system are predominantly state-funded.) For example, the City of Boston made a historic \$20 million investment in its Universal Pre-K (UPK) program in 2022.<sup>27</sup>

Cities and towns may also fund separate initiatives that aim to improve the affordability and quality of early education and care, as well as workforce development. For instance, municipalities have used federal pandemic relief funding and local dollars to provide child care scholarships for families, professional development for early educators (often with a focus on family child care providers), free career training for early educators, and funding to improve facilities and increase staff compensation.

Municipalities are well-suited to foster collaboration among providers and to identify local needs that other funding sources can help meet.

## **P** PHILANTHROPIC ORGANIZATIONS

Philanthropic organizations may fund:

- research and development, including seed funding for innovative pilot projects,
- advocacy initiatives that advance the sector,
- technical assistance for providers to improve quality of education and care, and
- career training opportunities for early educators.

Since the pandemic, more philanthropic organizations have taken an interest in expanding their early education and care portfolios. The launch of the Massachusetts Early Childhood Funder Collaborative demonstrates the growing interest among funders in supporting the sector and coordinating their efforts to maximize impact. There have been numerous recent instances of innovative pilot projects funded by philanthropic organizations that have gone on to attract interest from the state government, including programs operated by Neighborhood Villages and United Way Shared Services (discussed in more detail later in this section).

## **E** EMPLOYERS

Employers may support early education and care for their employees in various ways, such as by funding:

- child care scholarships,
- on-site early education and care, and
- start-up costs for new nearby early education and care facilities.



Employers may also offer:

- Flexible Spending Accounts that allow employees to use pre-tax income to cover early education and care expenses, and
- an employer-sponsored early education and care benefit resembling employer-sponsored health insurance.

While many large companies provide funding for early education and care through the means listed above, employers' overall investment in the sector is limited. However, in recent years, there has been increased interest among business leaders in addressing the sector's challenges to improve employee retention. In 2021, the Massachusetts Business Coalition for Early Childhood Education launched, bringing together 70 CEOs and business leaders to support the sector's needs. To further incentivize employer support, the fiscal year 2025 state budget establishes a pilot program that provides competitive matching grants to employers who create new early education and care slots by investing in infrastructure, staffing, start-up costs, or other costs.

The federal Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act signed into law in 2022 also encourages employers to increase their involvement in the sector. The law requires companies seeking federal manufacturing grants over \$150 million to submit plans on how to ensure early education and care is accessible to their employees.<sup>28</sup>

## **OTHER**

Other entities that may provide resources for the sector include private health insurance that pays for specialist services not covered by government Early Intervention funding (discussed in more detail later in this section), labor unions, and institutions of higher education.



## Funding Streams

Funding for early education and care in Massachusetts is disbursed through numerous funding streams. These generally fall into one of three categories:

- **Service delivery funding** directly supports providers in operating early education and care programs.
- **Supportive services funding** finances third-party training and assistance for providers to meet specific needs and improve quality.
- **System infrastructure funding** promotes the overall functioning of the sector, including investments in workforce development, intermediaries that administer funding, and advocacy.

The tables below highlight significant funding streams in these three categories and notable developments since 2020 for key streams. Below each table, we examine the impacts—including successes and challenges—of select funding streams. (**Note:** Funding streams are ordered alphabetically, and dollar amounts listed are not adjusted for inflation. We abbreviate “state fiscal year” as “FY” and “federal fiscal year” as “FFY.”)

Within each table, the funding source(s) for each funding stream are indicated by capital letters as follows:

**F** Federal government

**M** Municipal governments

**P** Philanthropic organizations

**S** Massachusetts state government

**FA** Families

**E** Employers

## TABLE 1. SERVICE DELIVERY FUNDING

Funding that directly supports providers in operating early education and care programs

DESCRIPTION	NOTABLE DEVELOPMENTS SINCE 2020
<b>Chapter 70</b> <span style="background-color: #f4a460; padding: 2px;">S</span> <span style="background-color: #76b82a; padding: 2px;">M</span>	
<p>Chapter 70 is a state law that provides for a combination of state and municipal funding to each Massachusetts school district on a per-student basis, including for children enrolled in district pre-kindergarten (pre-K). Funding covers part-day pre-K and is provided at higher rates for special education students, low-income students, and English learners.</p>	<p>State funding for Chapter 70 increased from \$5.3 billion in FY2021 to \$6.9 billion in FY2025, driven largely by the Student Opportunity Act of 2019, a state law that requires incremental increases in Chapter 70 funding over a seven-year period.</p>
<b>Child Care Financial Assistance (CCFA)</b> <span style="background-color: #0070c0; padding: 2px;">F</span> <span style="background-color: #f4a460; padding: 2px;">S</span>	
<p>CCFA funds child care subsidies for income-eligible families and families who receive services from the state's Department of Children and Families (DCF) or Department of Transitional Assistance (DTA). Subsidies are distributed as "vouchers," portable subsidies families can use at any provider that will accept them, or "contracted slots," subsidies tied to a seat with a specific provider. Families that receive income-eligible CCFA may also be required to pay a family contribution to their child's early education and care known as "fees."</p> <p>CCFA is largely funded through the federal Child Care and Development Fund (CCDF). To unlock the full amount of federal funding available, states are required to contribute a set amount. States are also able to transfer up to 30% of their federal Temporary Assistance for Needy Families (TANF) funding to CCDF (Massachusetts transfers approximately 8% per year).</p> <p>The Massachusetts government also makes additional investments in CCFA, notably by providing state funding to increase subsidy reimbursement rates for providers and reduce the waitlist for low-income families.</p>	<p>Federal CCDF funding has increased since 2020. In Massachusetts, this has resulted in increased baseline funding for income-eligible CCFA, from \$287 million in FY2021 to \$417 million in FY2025. Baseline funding for DCF- and DTA-related CCFA stayed relatively level in line with the projected caseload, rising slightly from \$351 million in FY2021 to \$357 million in FY2025.</p> <p>During the pandemic, fees for families receiving income-eligible CCFA were waived, but they have since been reinstated. A recent federal rule caps fees at 7% of a family's income.</p> <p>In 2023, EEC launched the Early Education and Care Staff Pilot Program, which prioritizes early education and care staff for receiving child care subsidies, provided their income is below 85% of the state median income.</p> <p>In 2024, the state made significant increases in subsidy reimbursement rates that addressed previous inequities between regions and age groups served. The state also received federal approval to use an estimated cost of care to set rates, rather than using the market rate of tuition.</p> <p>The FY2025 state budget increased the eligibility threshold for income-eligible CCFA from 50% to 85% of the state median income, enabling a larger pool of families to access subsidies, and continued to increase rates and reduce the waitlist for income-eligible CCFA.</p>

*continued*

**TABLE 1. SERVICE DELIVERY FUNDING (continued)**

Funding that directly supports providers in operating early education and care programs

DESCRIPTION	NOTABLE DEVELOPMENTS SINCE 2020
<p><b>Commonwealth Cares for Children (C3) Grant Program</b> <span style="background-color: #f4a460; padding: 2px;">S</span> <span style="background-color: #0070c0; color: white; padding: 2px;">F</span> (formerly)</p>	
<p>The C3 program offers monthly grants to all EEC-licensed providers to help cover operating costs. As of FY2025, the grant formula will be based on license capacity, the youngest age group served (for center-based education and care) or staffing (for family child care), hours of operation, and program accessibility to low-income families.<sup>29</sup></p> <p>C3 was fully funded by the federal government during the pandemic, but the state has since taken on its cost.</p>	<p>C3 was initially funded at \$418 million in FY2022 through federal pandemic relief funds. In FY2023, the program was funded at \$468 million through a mixture of state and federal funds. Beginning in FY2024, the state assumed responsibility for funding the program, allocating \$475 million in FY2024 and again in FY2025—supported in part by revenue from the recently approved income surtax on high earners.</p> <p>The FY2025 budget established C3 as a permanent program and called for grant amounts to be tiered based on the number of high-need children a provider serves. It also permitted the sale of online state lottery tickets to help fund C3.</p>
<p><b>Commonwealth Preschool Partnership Initiative (CPPI)</b> <span style="background-color: #f4a460; padding: 2px;">S</span></p>	
<p>CPPI provides funding to school districts to build collaborative partnerships with providers in the community in order to coordinate preschool offerings for three- and four-year-olds. The goal of the partnerships is to achieve universal access to affordable, high-quality preschool through a mixed delivery model.</p> <p>CPPI is funded by the Massachusetts government. A similar initiative in the state was previously funded by the federal Preschool Expansion Grant.</p>	<p>Funding for CPPI has increased from \$5.6 million in the FY2021 state budget to \$22.5 million in FY2025. Expanding CPPI to all Gateway Cities in Massachusetts is a priority of Governor Healey, funded in the FY2025 budget.</p>
<p><b>EEC Capital Grants</b> <span style="background-color: #f4a460; padding: 2px;">S</span></p>	
<p>EEC Capital Grants deliver funding for facilities improvements to providers that serve predominantly low-income families and to family child care providers. There are three types of Capital Grants:<sup>30</sup></p> <ul style="list-style-type: none"> <li>■ Early Education and Out-of-School Time (EEOST) Capital Grants, for non-profit center-based providers;</li> <li>■ Early Education and Care Provider Capital Grants (EEPCG), for for-profit center-based providers; and</li> <li>■ Family Child Care Capital Grants, for family child care providers.</li> </ul> <p>Capital Grants are state-funded through the Governor’s Capital Investment Plan.</p>	<p>From FY2021 to FY2024, the state disbursed approximately \$26 million in EEOST Capital Grants and just over \$2 million in EECPCG. In 2024, Governor Healey announced \$2.5 million for Family Child Care Capital Grants, a new type of EEC Capital Grant.<sup>31</sup></p>

*continued*

**TABLE 1. SERVICE DELIVERY FUNDING (continued)**

Funding that directly supports providers in operating early education and care programs

DESCRIPTION	NOTABLE DEVELOPMENTS SINCE 2020
<b>Employer-Supported Child Care Pilot Program</b> <span style="background-color: #f4a460; padding: 2px;">S</span> <span style="background-color: #0072bc; color: white; padding: 2px;">E</span>	
<p>This pilot program provides competitive state matching grants to employers who create new early education and care slots by investing in infrastructure, staffing, start-up costs, or other costs.</p>	<p>This pilot program was newly established by the FY2025 state budget and funded at \$2.5 million.</p>
<b>Head Start, Early Head Start, and Early Head Start-Child Care Partnerships</b> <span style="background-color: #0072bc; color: white; padding: 2px;">F</span> <span style="background-color: #f4a460; padding: 2px;">S</span>	
<p>Head Start and Early Head Start are funded through five-year federal grants to designated providers that deliver no-cost, high-quality early education and care to low-income children aged zero to three (Early Head Start) or three to five (Head Start). Funding covers a set number of seats per provider and includes an annual cost-of-living adjustment for staff wages.</p> <p>Early Head Start-Child Care Partnerships, funded by competitive federal grants, support Early Head Start providers in partnering with other providers in the community to offer high-quality seats for infants and toddlers.</p> <p>The Massachusetts government also contributes supplemental dollars to Head Start and Early Head Start providers that are typically used for staff compensation.</p>	<p>Nationally, funding for Head Start, Early Head Start, and Early Head Start-Child Care Partnerships increased from \$10.7 billion in FFY2021 to \$12.3 billion in FFY2024. In Massachusetts, this resulted in an increase from \$162 million in FFY2021 to \$179 million in FFY2023.</p> <p>State supplemental dollars for Head Start providers increased from \$15 million in FY2021 to \$18.5 million in FY2025.</p> <p>A federal rule passed in 2024 will require providers to meet a floor for staff salaries by 2031.<sup>32</sup></p>
<b>Individuals with Disabilities Education Act (IDEA) and Early Intervention (EI)</b> <span style="background-color: #0072bc; color: white; padding: 2px;">F</span> <span style="background-color: #f4a460; padding: 2px;">S</span>	
<p>IDEA provides states with federal funding to support special education for children of all ages. This includes funding for Early Intervention services, which support children aged zero to three who are experiencing developmental delays, and funding for local education agencies, such as school districts, which provide special education to children aged three through five.</p> <p>In addition to federal dollars provided through IDEA, states are able to access federal dollars through Medicaid (administered as MassHealth in Massachusetts) to support EI services.</p> <p>In Massachusetts, the state's Department of Public Health (DPH) oversees EI services, and the state contributes dollars for EI through DPH. A family's private health insurance may cover the cost of additional needed services outside of government-funded EI.</p>	<p>Nationwide, federal funding for EI under IDEA has increased in recent years, rising from \$481 million in FFY2021 to \$540 million in FFY2023.<sup>33</sup> State funding for EI through the Department of Public Health increased from \$36 million in FY2021 to \$57 million in FY2023, then decreased to \$30 million in FY2025.</p>

*continued*

**TABLE 1. SERVICE DELIVERY FUNDING (continued)**

Funding that directly supports providers in operating early education and care programs

DESCRIPTION	NOTABLE DEVELOPMENTS SINCE 2020
<b>Municipal Initiatives to Expand Preschool Access</b> <span style="background-color: #4CAF50; color: white; padding: 2px;">M</span>	
<p>Some municipalities in Massachusetts invest local dollars to expand access to preschool, typically by growing school district pre-K programs and occasionally by leveraging the mixed delivery system.</p> <p>Municipal funding for preschool may come from school district budgets or a municipality's general fund. Note that some municipalities receive state funding through CPPI to coordinate providers across the mixed delivery system.</p>	<p>Several cities in Massachusetts have made investments to expand preschool access in recent years, including Boston, Cambridge, Watertown, Springfield, and others.</p> <p>The City of Boston has made major investments in its Universal Pre-K (UPK) program, including \$20 million in 2022. The program supports free pre-K (6.5 hours per day during the school year) for three- and four-year-olds by leveraging the mixed delivery system.<sup>34</sup> Funding has helped standardize quality across providers, and the City is working to expand participation from family child care providers.</p>
<b>Tuition Payments</b> <span style="background-color: #9C27B0; color: white; padding: 2px;">FA</span>	
<p>Families pay tuition, also called “private pay,” at the rate set by their child’s provider. Some providers discount tuition for families in need by offering scholarships. Municipal governments, philanthropic organizations, and employers may also fund scholarships.</p>	<p>The cost of providing care has increased in recent years due to inflation and other economic factors, applying upward pressure on tuition rates. However, many providers have been able to avoid or minimize raising tuition by accessing funding like C3.<sup>35</sup></p>
<b>Additional Funding Streams</b>	
<p><b>Child and Adult Care Food Program (CACFP):</b> This program, offered by the U.S. Department of Agriculture (USDA), delivers federal funding to providers to cover the cost of meals and snacks for children.</p> <p><b>Child Care Access Means Parents in Schools (CCAMPIS):</b> This competitive federal grant program supports higher education institutions in providing affordable early education and care to low-income students who are also parents.</p> <p><b>Elementary and Secondary Education Act (ESEA) Title I-A:</b> ESEA Title I-A formula grants to school districts that serve low-income students may be used for district pre-kindergarten programs.</p> <p><b>Employer-Provided Child Care Tax Credit:</b> This federal tax credit incentivizes employers to invest in early education and care start-up costs, operating costs, and referral costs in order to expand the sector’s capacity.</p> <p><b>Municipal Grants:</b> Some municipal governments administer grants to providers to cover start-up costs, facility improvements, staff wage increases, or other needs. For instance, the City of Boston’s Stimulus and Stability Fund supported wage increases and long-term compensation planning for providers.<sup>36</sup></p> <p><b>Philanthropic Short-Term Service Delivery Support:</b> Philanthropic organizations have offered grants for various purposes, such as to cover start-up costs of new programs or to provide emergency aid during the pandemic to stabilize providers.</p> <p><b>Small Business Grants:</b> Grants provided by economic development agencies to support small businesses, such as the USDA Rural Development Program and the Massachusetts Child Care Startup Grant, may be accessed by small early education and care centers and family child care providers to cover start-up or operating costs.</p> <p><b>Summer Step Up:</b> This state-funded grant program supports partnerships that bring together providers and school districts to coordinate and expand summer learning offerings.</p>	

## Service Delivery Funding

### Child Care Financial Assistance (CCFA)

#### SUCCESSSES

- Recent increases in reimbursement rates for child care subsidies have been significant and have made many more providers willing to accept subsidies. Recent regulatory changes have also helped to streamline the administration of subsidies, expanding access for both families and providers.<sup>37</sup>
- Rates will now be set based on an estimated cost of care instead of a market survey, which is already beginning to address previous inequalities due to geographic region and age group served.
- The Early Education and Care Staff Pilot Program, which prioritizes early education and care staff for receiving income-eligible child care subsidies, has provided a critical benefit for staff, helping to retain parents of young children in the sector's workforce.
- Reducing fees for families receiving subsidies during the pandemic improved affordability at a time when families were most vulnerable.

#### CHALLENGES

- While rate increases have been impactful, many rates remain below the cost of care, creating a disincentive for providers to accept subsidies.
- CCFA is administered through a bureaucratic system that is often confusing and inaccessible to families and providers. Families need to navigate complicated application and renewal processes and demonstrate that they meet eligibility criteria set by the federal government. When approved for a voucher, they often encounter difficulty finding a provider with an open seat who will accept it. Many providers find it procedurally challenging to enter into the agreements that allow them to accept vouchers and offer contracted slots. Further, the waitlist for subsidies is statewide instead of more local, creating inefficiency in identifying families in need of subsidies.
- To be eligible for the Early Education and Care Staff Pilot Program, staff must earn below the income threshold for CCFA (85% of the state median income). This limits the reach of the benefit and contributes to a "benefits cliff effect," whereby staff who receive a salary increase may become ineligible for the benefit but may not receive enough of an increase to offset the loss of the benefit.
- The number and distribution of contracted slots was set over a decade ago and is in need of updating. Further, providers face regulatory challenges in shifting contracted slots for three- and four-year-olds to slots for infants and toddlers, resulting in barriers to expanding access to infant and toddler care. EEC is working to address these challenges through the re-procurement of these contracts, effective October 2024.<sup>38</sup>

## Commonwealth Cares for Children (C3) Grant Program

### SUCSESSES

- C3 represents a paradigm shift in the role of public funding within the sector, with the government assuming responsibility for delivering broad-based operational funding to providers in addition to subsidies for families in need. Because C3 grants were universally accessible to EEC-licensed providers, they improved the cohesion of the sector.
- C3 grants stabilized the sector during the pandemic, preserved affordability for families (many providers could avoid or minimize raising tuition because of the funding), and supported workforce investments through increased compensation for staff.<sup>39</sup> The grants were especially stabilizing for family child care providers, many of which used the funding to hire or retain assistants. Because C3 grant amounts have been based on license capacity rather than enrollment, the grants provided a stable source of funding during the pandemic, when enrollment fluctuated greatly.
- Initially, many providers used C3 funding for one-time or short-term purposes—such as professional development, staff bonuses, renovations, and materials. However, as the state demonstrated commitment to funding C3 long-term, providers began to use the funding for ongoing expenses and to make long-term investments in the workforce, such as by increasing staff salaries.<sup>40</sup>
- The fact that the state government assumed the responsibility for funding C3 meant that the sector did not face a fiscal cliff once the initial federal funding expired. The state also has the flexibility to design the grant program as it sees fit.

### CHALLENGES

- In the spring of 2024, the C3 program became overextended due to greater than expected growth in the sector's seat capacity, resulting in the need to reduce monthly grant amounts for providers for the remainder of the fiscal year. While this was a positive sign of the sector's growth, spurred largely by the success of C3 itself, it compromised providers' trust in the program. This trust will need to be strengthened to ensure providers feel comfortable using C3 funding to continue making critical investments in the workforce, for example by increasing staff salaries.
- Some providers expressed the need for changes to the initial C3 grant formula to promote greater stability for providers. The initial formula accounted for a provider's current staffing level, meaning that providers grappling with staff turnover received less funding when they were most vulnerable. Even though accounting for staffing levels benefitted providers that offered infant and toddler care, which requires higher staff ratios, many providers believed that infant and toddler care needed additional support through the C3 formula. Additionally, many providers voiced that the formula should more accurately account for the proportion of low-income students a provider served by factoring in eligibility for child care subsidies rather than receipt of subsidies. Finally, some providers believed that C3 grant amounts should be determined quarterly rather than monthly to improve predictability. The new C3 grant formula for FY2025 makes progress in addressing these concerns. It places less emphasis on current staffing levels, factors in higher rates for infant and toddler care, allows multiple measures to determine the proportion of low-income children served, and determines grant amounts annually.<sup>41</sup>



## Commonwealth Preschool Partnership Initiative (CPPI)

### SUCCESSSES

- CPPI creates a mechanism for communities to collaborate on expanding access to high-quality preschool. The grant requires communities to conduct a needs assessment and design a plan to expand preschool access that leverages the mixed delivery system to best fit their needs and resources.
- CPPI funding helps to offer families a choice of providers, care settings, and hours of care and can be used to subsidize the cost of care, improving affordability for families.
- CPPI has helped communities to standardize preschool quality, including through shared professional development and high-quality curriculum. It has also facilitated greater coordination of special education services and training on inclusive teaching practices.

### CHALLENGES

- For many school districts, engaging in close partnership with providers in the community requires a mindset shift, as districts are used to a fully in-house educational model.
- In some cases, CPPI funding is spent on stipends for early educators to achieve pay parity between district educators and community-based educators. While an important goal, this is not a sustainable way to increase salaries, and it creates inequalities between providers' CPPI classrooms and non-CPPI classrooms.

## Head Start, Early Head Start, and Early Head Start-Child Care Partnerships

### SUCCESSSES

- Head Start and Early Head Start funding is based on a set number of seats rather than enrollment or attendance, resulting in a very stable funding stream. Because of this, no Head Start and Early Head Start staff in Massachusetts needed to be laid off during the pandemic.
- Head Start and Early Head Start are designed to adapt to local context. Funds are administered directly from the federal government to communities, and each community carries out a needs assessment and determines how to prioritize eligible children. Providers also have the flexibility to use up to 10% of their seats to enroll children who do not meet the income eligibility criteria, which many providers use to offer early education and care for their staff.

### CHALLENGES

- A new federal rule that sets a wage floor for Head Start and Early Head Start staff will go into effect in 2031, meaning additional funding will be needed—and providers have no guarantees that federal funding will fill the gap. Supplemental state funds for Head Start and Early Head Start support wage increases, but these dollars are not guaranteed each year. The federal rule includes additional requirements for Head Start and Early Head Start programs that will necessitate funding, including mental health supports and quality improvements that programs must deliver.<sup>42</sup>
- Head Start and Early Head Start funding is set by Congress and fluctuates based on political priorities.
- Because Head Start does not cover full-day, full-year care, most providers rely on CCFA to supplement the cost of their children's care. Some providers find it burdensome to comply with both Head Start requirements and CCFA requirements.

**TABLE 2. SUPPORTIVE SERVICES FUNDING**

Funding for third-party training and assistance to meet provider needs and improve quality

DESCRIPTION	NOTABLE DEVELOPMENTS SINCE 2020
<b>Early Childhood Mental Health Consultation Program</b> <span style="background-color: #f4a460; padding: 2px;">S</span>	
<p>The Mental Health Consultation Program supports organizations that counsel providers on how best to address children’s mental health needs, including through staff training, classroom practices, and family supports. Funding is provided through the annual state budget.</p>	<p>State funding for the Mental Health Consultation Program has increased from \$2.5 million in FY2021 to \$5 million in FY2024 and FY2025.</p>
<b>Early Childhood Support Organizations (ECSOs)</b> <span style="background-color: #f4a460; padding: 2px;">S</span> <span style="background-color: #f4a460; padding: 2px;">P</span>	
<p>ECSOs provide training and coaching to leaders of early education and care programs to help them to create high-quality learning environments that support both children and staff.</p> <p>ECSOs were initially funded through a public-private partnership between EEC and New Profit, a venture philanthropy organization, and are now mainly state-funded.</p>	<p>Funding for ECSOs launched in 2020 and has shown promising results in developing leaders’ capacity for delivering high-quality care.<sup>43</sup></p>
<b>Neighborhood Villages’ Neighborhood Program</b> <span style="background-color: #f4a460; padding: 2px;">S</span> <span style="background-color: #f4a460; padding: 2px;">P</span>	
<p>Neighborhood Villages, a Boston-based nonprofit, operates the Neighborhood program, which offers to providers centralized structural supports that promote delivery of high-quality early education and care, professional development and career advancement for educators, and wraparound services for families.<sup>44</sup> Funding for the program supports coaching and classroom instruction, workforce development, operations management, and resources to promote the well-being of children and families.</p>	<p>The state budget line item for Neighborhood Villages has been level-funded at \$1 million each year since FY2020.</p>
<b>Professional Development Centers (PDCs) and Professional Development Academy</b> <span style="background-color: #f4a460; padding: 2px;">S</span>	
<p>EEC operates five regional PDCs and a statewide Professional Development Academy that provide training, coaching, technical assistance, and professional learning communities for early educators and administrators to strengthen business practices and improve quality of education and care. EEC also operates an online professional development platform called StrongStart.</p>	<p>In 2020, EEC partnered with UMass Boston to create the online StrongStart platform, allowing professional development to take place virtually during the pandemic and thereafter.<sup>45</sup></p>

*continued*

**TABLE 2. SUPPORTIVE SERVICES FUNDING (continued)**

Funding for third-party training and assistance to meet provider needs and improve quality

DESCRIPTION	NOTABLE DEVELOPMENTS SINCE 2020
<p><b>Service Employees International Union (SEIU) Education and Support Fund</b> <span style="background-color: #f4a460; padding: 2px;">S</span> <span style="background-color: #e67e22; padding: 2px;">P</span></p>	
<p>The Education and Support Fund finances training, peer mentorship, and communities of practice for family child care providers who are members of SEIU Local 509, all of whom accept child care subsidies as a condition of union membership. The Fund's offerings are designed to meet providers' expressed needs and often focus on business management, child development, child mental health, and policy advocacy.</p> <p>The Fund is established through SEIU Local 509's collective bargaining agreement with EEC and receives state dollars through this agreement. Philanthropic dollars also support the fund.</p>	<p>The Fund is renewed every three years through collective bargaining and is typically funded at an equal or slightly increased level.</p>
<p><b>United Way Shared Services</b> <span style="background-color: #e67e22; padding: 2px;">P</span> <span style="background-color: #f4a460; padding: 2px;">S</span> <span style="background-color: #27ae60; padding: 2px;">M</span> <span style="background-color: #2980b9; padding: 2px;">F</span></p>	
<p>Shared Services, offered by the United Way of Massachusetts Bay, provides business training, mentorship, licensing support, coaching on implementing the Ages and Stages Questionnaire (a tool that assesses a child's development), and other supports to family child care providers.</p> <p>Shared Services has received funding through philanthropic organizations, EEC, the City of Boston, and the federal government.</p>	<p>In 2023, Senator Ed Markey and Senator Elizabeth Warren secured a one-time federal earmark for Shared Services, which helped to expand the model into the Merrimack Valley.<sup>46</sup></p>
<p><b>Additional Funding Streams</b></p>	
<ul style="list-style-type: none"> <li>■ <b>Mental Health Reflective Supervision Training:</b> A state grant to the Massachusetts Society for the Prevention of Cruelty to Children (MSPCC) from the Executive Office of Health and Human Services, funded using discretionary dollars from ARPA, invests in training for providers on how best to meet the social-emotional needs of their employees to maximize the quality of education and care they deliver.</li> <li>■ <b>Service Delivery and System Infrastructure Funding:</b> Child Care Resource and Referral Agencies (CCR&amp;Rs) and Family Child Care Systems (discussed in more detail later in this section) offer some training and technical assistance for providers. CPPI may also offer supportive services in the form of shared professional development, instructional coaching, and mental health consultation.</li> <li>■ <b>Professional Development Offerings:</b> Some municipal governments, philanthropic organizations, and economic development partners fund professional development for providers, especially training on business management for family child care providers.</li> <li>■ <b>Quality Improvement Initiatives:</b> Philanthropic organizations have funded services that improve the quality of education and care, such as technical assistance services that support the implementation of high-quality curriculum.</li> </ul>	

## Supportive Services Funding

### Early Childhood Mental Health Consultation Program

#### SUCCESSSES

- Mental health consultation mitigates staff burnout by supporting early educators in managing challenging child mental health needs, which have been increasing since the pandemic.
- This funding also improves the quality of education and care by helping early educators meet more children's needs and strengthen the educator-child relationships that are critical for positive child development.

#### CHALLENGES

- Third-party consultation on children's mental health is just one effective strategy for support, and others could use additional investment. It is important to fund training for providers on reflective supervision, such as that offered by the MSPCC.<sup>47</sup> Because the responsibility for promoting child mental health extends beyond early education and care providers, investment in the healthcare sector is also important. Funding can support training for physicians to proactively promote positive mental development from a young age and can help increase the availability of community-based therapy.

### Neighborhood Villages' Neighborhood Program

#### SUCCESSSES

- The centralized structural supports offered by Neighborhood Villages further providers' efforts to improve quality of education and care, promote workforce development, and meet families' wraparound service needs.
- Through program implementation and evaluation, Neighborhood Villages develops evidence-based approaches that can inform how the government further builds infrastructure that supports the delivery of high-quality early education and care.
- By facilitating communities of practice and collecting evaluation data, Neighborhood Villages continuously adapts programming to meet the needs of providers, adding new supports in line with emergent needs—such as the development of a toddler-focused curriculum and the provision of early relational health supports. Further, structural supports can be adapted to meet individual providers' needs.

#### CHALLENGES

- Neighborhood Villages' approach to scaling centralized structural supports for providers involves building the capacity of state, regional, and local entities to offer such supports, which will require continued efforts to generate buy-in among these entities.

## United Way Shared Services

### SUCCESSSES

- Shared Services has trained and provided licensing support to more than 2,000 educators and has created nearly 400 new seat openings. Shared Services also supports family child care providers in improving the quality of their services and the financial stability of their businesses. Providers report highly positive experiences with the training received through this program and share that the program saved them time and money and improved their delivery of education and care.<sup>48</sup>

### CHALLENGES

- In the absence of stable, statewide funding, the reach of Shared Services may not be maximized, and its financial sustainability is not guaranteed.
- It can be challenging to reach certain family child care providers to encourage their participation in Shared Services due to providers' limited bandwidth. Expanding the pool of participants will require continued strong efforts by United Way to meet providers where they are, for example by offering training in multiple languages and at times that accommodate providers' schedules.



**TABLE 3. SYSTEM INFRASTRUCTURE FUNDING**

Funding that promotes the overall functioning of the sector, including workforce development

DESCRIPTION	NOTABLE DEVELOPMENTS SINCE 2020
<b>Apprenticeship Programs</b> <span style="background-color: #0070C0; color: white; padding: 2px;">F</span> <span style="background-color: #FFC000; color: white; padding: 2px;">S</span> <span style="background-color: #70AD47; color: white; padding: 2px;">M</span> <span style="background-color: #C00000; color: white; padding: 2px;">P</span>	
<p>Apprenticeship programs prepare new talent to work in the early education and care sector through a combination of training and professional experience. Apprentices work in the sector and earn wages while they receive training and work toward professional certifications. Early education and care providers administer these programs in partnership with a training partner, such as an institution of higher education.</p> <p>Providers who offer apprenticeship programs that meet certain federal requirements, referred to as Registered Apprenticeships, are eligible to receive government funding for the program through the Massachusetts Executive Office of Labor and Workforce Development. Industry intermediaries known as “Ambassadors” often support providers in establishing Registered Apprenticeships. Philanthropic organizations and municipal governments also offer grants that support apprenticeship programs.</p>	<p>Nationally, apprenticeship programs have been gaining popularity and expanding from traditional trades into new industries, including early education and care.</p> <p>In 2024, the state’s Executive Office of Labor and Workforce Development announced Apprenticeship Expansion and Opportunity Grants, funded by state and federal dollars, that included approximately \$1.5 million for 5 organizations to support early educator apprenticeships.<sup>49</sup> EEC also announced \$1.4 million to support regional intermediaries that will promote workforce development initiatives, including apprenticeships, for family child care providers and center-based providers.<sup>50</sup></p> <p>Philanthropic organizations and municipal governments have also contributed dollars to local apprenticeship programs in recent years.</p>
<b>Child Care Resource &amp; Referral Agencies (CCR&amp;Rs) and Family Child Care Systems</b> <span style="background-color: #FFC000; color: white; padding: 2px;">S</span> <span style="background-color: #0070C0; color: white; padding: 2px;">F</span>	
<p>CCR&amp;Rs are regional agencies that administer CCFA and support families and providers in accessing subsidies. In addition, they provide information and referrals to families to assist them in finding early education and care that meets their needs.</p> <p>Family Child Care Systems serve a similar role but specifically for family child care. They assist family child care providers (FCCs) in accessing CCFA, administer subsidy payments, and deliver administrative support and training to FCCs.</p> <p>CCR&amp;Rs and Family Child Care Systems are supported by state funding and federal funding through CCDF.</p>	<p>Funding for CCR&amp;Rs increased from \$11 million in FY2021 to \$20 million in FY2025.</p>
<b>Coordinated Family and Community Engagement (CFCE) Programs</b> <span style="background-color: #FFC000; color: white; padding: 2px;">S</span>	
<p>CFCE programs engage families and connect them with local resources that promote healthy child development. This includes assisting with early education and care searches, providing parent education, and supporting school readiness and early literacy. CFCE programs also foster collaboration between providers and connect providers to training opportunities to improve the quality of their programming. There are 80 state-funded CFCE programs across Massachusetts.</p>	<p>Since FY2021, state funding for CFCE programs has remained relatively level, between \$11 million and \$12 million annually.</p>

*continued*

**TABLE 3. SYSTEM INFRASTRUCTURE FUNDING (continued)**

Funding that promotes the overall functioning of the sector, including workforce development

DESCRIPTION	NOTABLE DEVELOPMENTS SINCE 2020
<b>Early Childhood Career Pathways Grant Program</b> <span style="background-color: #f4a460; color: white; padding: 2px;">S</span>	
<p>The Career Pathways Grant Program provides Massachusetts community colleges with funding to connect current and aspiring early educators with access to courses and wraparound services to advance their careers. The grants are funded by the state government.</p>	<p>State funding for the Career Pathways Grant Program increased from \$8 million in FY2021 to \$10 million in FY2024 but then decreased to \$5 million in FY2025. The decrease corresponded to less projected need for this funding due to state investments in free community college, early educator scholarships, and early educator loan forgiveness, all of which expanded access to higher education for the sector’s workforce.</p>
<b>Early Childhood Educator Scholarship Program</b> <span style="background-color: #f4a460; color: white; padding: 2px;">S</span>	
<p>The Early Childhood Educator Scholarship Program reduces the cost of pursuing higher education for early educators who work at least part-time while enrolled in a certificate or degree program.</p> <p>The state-funded program is a partnership between EEC and the state’s Department of Higher Education (DHE).</p>	<p>Launched as a pilot program nearly two decades ago, the Early Childhood Educator Scholarship Program was codified in state law by the FY2025 state budget. \$7.5 million was allocated for the program in FY2025.</p>
<b>Early Education and Care Educator Loan Forgiveness Program</b> <span style="background-color: #f4a460; color: white; padding: 2px;">S</span>	
<p>The loan forgiveness program, funded by the state government, will offset the cost of higher education for early educators by reducing their loan debt.</p> <p>Early educators were previously eligible for the Massachusetts Human Service and Home Health Workers Loan Repayment Program, funded by state and federal government.</p>	<p>The FY2025 state budget called for the establishment of the loan forgiveness program and funded the program at \$7.5 million.</p>

*continued*

**TABLE 3. SYSTEM INFRASTRUCTURE FUNDING (continued)**

Funding that promotes the overall functioning of the sector, including workforce development

DESCRIPTION	NOTABLE DEVELOPMENTS SINCE 2020
<p><b>Good Jobs Challenge Grant</b> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">F</span></p>	
<p>The Good Jobs Challenge Grant supports cross-sector partnerships that create workforce pipelines to attract and retain talent. The partnerships orchestrate training and connect trainees to well-paying, high-quality jobs.</p> <p>The Good Jobs Metro Boston Coalition Child Care Sectoral Partnership, established through the grant, is working to develop the early education and care workforce through three training tracks: the new teacher track (for new talent to become certified to teach), the lead teacher track (for current talent to become certified to serve as lead teachers), and the family child care track (for new talent to become certified as family child care providers and for current talent to build business management skills). Participants receive no-cost training and support and are simultaneously employed in an early education and care setting where they receive fair wages and wage increases as they earn certifications.</p> <p>This competitive grant extends over three years and is funded by the U.S. Department of Commerce's Economic Development Administration using federal pandemic relief dollars allocated through the American Rescue Plan Act (ARPA).</p>	<p>In 2022, the City of Boston secured a \$23 million Good Jobs Challenge Grant to establish regional workforce training systems in three sectors, including the early education and care sector.<sup>51</sup> The resulting Good Jobs Metro Boston Coalition Child Care Sectoral Partnership brings together sourcing partners (those that identify and support prospective candidates for training), training partners (such as colleges), and providers to build workforce pipelines that both grow the workforce and improve the quality of jobs.</p>
<p><b>Preschool Development Grant Birth through Five (PDG-B5)</b> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">F</span> <span style="background-color: #FFC000; color: white; padding: 2px 5px;">S</span></p>	
<p>PDG-B5 is a competitive federal grant to states that funds broad-based improvements to the early education and care sector. In Massachusetts, priorities for the use of PDG-B5 funding include building out career pathways for early educators, streamlining Child Care Financial Assistance for families, and increasing access to special education services for young children.<sup>52</sup></p> <p>PDG-B5 grants are federally funded and require 30% of the grant amount to be matched with non-federal funds.</p>	<p>In 2023, the state was awarded a \$36 million federal grant through PDG-B5, spread over three years at \$12 million per year. State government will contribute roughly \$3 million per year in required matching funds.</p>

*continued*



**TABLE 3. SYSTEM INFRASTRUCTURE FUNDING (continued)**

Funding that promotes the overall functioning of the sector, including workforce development

DESCRIPTION	NOTABLE DEVELOPMENTS SINCE 2020
<p><b>Private Research and Development</b> <span style="background-color: #f4a460; padding: 2px;">P</span></p>	
<p>Private research and development, funded by philanthropic organizations, involves collecting data and testing innovative pilot programs that help to advance the sector. Pilot programs aim to fine-tune innovative service delivery models, workforce development strategies, and quality improvements, then work with the state to scale them. Private research and development is sometimes carried out through public-private partnerships with state government entities.</p>	<p>There have been many examples of philanthropy-funded, innovative pilot programs in recent years. For example, in 2020, with early philanthropic support, Neighborhood Villages piloted pooled COVID-19 testing for the sector, which then became funded through state dollars. Philanthropic dollars have supported the implementation of the Ages and Stages Questionnaire (a tool that assesses a child’s development) and many data collection projects. Philanthropic organizations have played a key role in funding research and development within the sector.</p>
<p><b>Additional Funding Streams</b></p>	
<ul style="list-style-type: none"> <li>■ <b>Advocacy Training:</b> Philanthropic organizations and other institutions (including colleges and universities) have supported the establishment of programs that train early educators and stakeholders to become advocates for the sector’s advancement.</li> <li>■ <b>Family Tax Credits:</b> The federal Child Tax Credit, Child and Dependent Care Tax Credit, and Dependent Care Assistance Program and the state’s Child and Family Tax Credit indirectly improve the affordability of early education and care by lowering the tax burdens of families with young children.</li> <li>■ <b>General Career Pathway Investments:</b> Many types of funders support career pathways initiatives by funding early educator scholarships and free higher education programs for early educators. For example, the City of Boston used federal dollars allocated through the American Rescue Plan Act (ARPA) to invest in free early educator credentialing programs. Boston has also invested in training programs to help early childhood staff earn the Infant and Early Childhood Mental Health Endorsement offered by the Massachusetts Association for Infant Mental Health and the Massachusetts Society for the Prevention of Cruelty to Children (discussed in more detail later in this report).</li> <li>■ <b>Networks of Support:</b> Philanthropic organizations and advocacy organizations fund networks that bring together providers and stakeholders to share information, set policy agendas, and collaborate for the sector’s advancement. For example, Strategies for Children operates the 9:30 Call and hosts the Early Childhood Agenda.</li> <li>■ <b>Quality Improvement Funding:</b> The state is required to spend a portion of its Child Care and Development Fund (CCDF) allocation on quality improvements across the sector. Funding in the annual state budget is allocated for quality improvement and can support a host of initiatives, including workforce development, professional development, mental health consultation, supportive services that assist providers in implementing high-quality curriculum and child assessments, and public-private partnerships to improve quality.</li> <li>■ <b>Social Services Block Grant (SSBG):</b> Federal SSBG funding provides entitlement grants to states and has many permitted uses to support social services for families in need, including early education and care.</li> <li>■ <b>Temporary Assistance for Needy Families (TANF):</b> Federal TANF funding provides entitlement grants to states to support low-income families through cash benefits and a host of social services, such as early education and care. A state can spend TANF funding directly on early education and care initiatives. Further, up to 30% of TANF funding can be transferred to the Child Care and Development Fund (CCDF) to support child care subsidies and up to 10% can be transferred to the Social Services Block Grant (SSBG).<sup>53</sup> TANF funding is therefore able to support various initiatives across the sector.</li> </ul>	

## System Infrastructure Funding

### Good Jobs Challenge Grant

#### SUCCESSSES

- By uniting sourcing partners (those that identify and support prospective candidates for training), training partners, and providers, the Good Jobs Metro Boston Coalition Child Care Sectoral Partnership develops a system that establishes pipelines for talent. This approach strengthens collaboration and leverages the strengths of all parties.
- Involving sourcing partners is an effective workforce strategy, as they are well equipped to identify prospective candidates and to support them in accessing career training, for example by meeting technological and transportation needs.
- The Sectoral Partnership ensures participants are employed throughout their career training, allowing them to earn wages and acquire hands-on experience.
- The Sectoral Partnership focuses on creating jobs with salaries that exceed the local prevailing wage and are commensurate with experience. Providers involved in the Partnership are required to offer salaries that meet minimum benchmarks. Providers are also assessed for their job quality and receive coaching to improve it.
- Initial outcomes, though limited, suggest the Sectoral Partnership is effective at addressing providers' workforce shortages and promoting staff retention.

#### CHALLENGES

- The Sectoral Partnership is still nascent, as it took time to design and launch. Data needs to be collected on the Partnership's impacts, sustainability, and scalability.
- The Sectoral Partnership only serves the Metro Boston area, limiting the reach of the model.
- Funding for the Good Jobs Challenge Grant expires in 2025, meaning the government and/or workforce development partners will need to put in additional funds if they hope to continue the Sectoral Partnership.

### Private Research and Development

#### SUCCESSSES

- Pilot projects have helped to accelerate innovation in many areas of the sector, from novel service delivery models to staff compensation to career pathways. In many cases, after the initial phase, the state assumes responsibility for successful projects and scales their reach.
- Because pilot projects are typically funded by philanthropic organizations, they are able to get off the ground more quickly than if they were funded by governments that have to navigate political dynamics and bureaucracy. This was especially advantageous during the pandemic, when pilot projects were able to quickly address emergency public health needs—for instance, pooled COVID-19 testing for the sector was established and operated by Neighborhood Villages early in the pandemic.

## CHALLENGES

- Many philanthropic organizations have a limited geographic focus, which can hinder collaboration and make it difficult to scale pilot projects statewide. However, the Massachusetts Early Childhood Funder Collaborative has the potential to coordinate funders and scale successful initiatives more broadly.
- While collaboration between EEC and philanthropic organizations on pilot pilots has increased, it remains an area for growth. This type of partnership is important to lay the groundwork for project scalability.
- Philanthropic organizations have tended to focus investments, including for pilot projects, on the preschool age group (three- and four-year-olds) rather than infants and toddlers.
- It can be challenging for philanthropic organizations to take on innovative projects that direct funding to for-profit providers, such as family child care providers.



## High-Level Successes and Challenges

Having summarized key funding streams and their trends and impacts, we turn our attention to the broader investment landscape for early education and care in Massachusetts. Below, we highlight the high-level successes that the sector can draw upon in charting its future directions, as well as the high-level challenges that remain critical to address.

### High-Level Successes

- **The sector's importance has become more broadly recognized:** Expanded awareness of the economic importance of early education and care has produced broad-based political consensus about the need to address the sector's challenges. It has also prompted the business community to come to the table. The sector is increasingly viewed as having multi-faceted importance—for child development, economic opportunity, and the state's overall competitiveness—which may spark an influx of resources from a wider array of stakeholders.
- **Commitment to sustaining investment is high:** By taking on the role of funding operational grants for providers through a permanent C3 program, the state has indicated a long-term commitment to supporting the sector with public funds. Overall increases in government funding suggest that the sector is shifting from a market-based model to one in which early education and care is viewed as more of a public good. This ideological shift holds great promise for the sustainability of investments in the sector.
- **Cohesion within the sector has increased:** Since the pandemic, the sector has created multiple new channels for collaboration. C3 grants have unified providers through a near-universal funding stream. CPPI has promoted greater coordination among providers. EC101, the 9:30 Call, the Early Childhood Agenda, the Massachusetts Early Childhood Funder Collaborative, and the Massachusetts Business Coalition for Early Childhood Education have facilitated information sharing and priority setting among stakeholders. The state's whole-of-government approach to addressing the sector's challenges has generated buy-in across state agencies. These developments lay the foundation for more coordinated action to meet the sector's most pressing needs.

## High-Level Challenges

- **Investment remains insufficient to cover the true cost of services:** Despite significant recent investments, affordability remains a major challenge, especially for families whose incomes are just above the threshold for income-eligible CCFA. More dollars are needed to ensure providers can cover their costs while keeping tuition affordable. However, given the magnitude of new investment made since the pandemic, the pace of additional new investment is likely to slow, meaning the sector will need to optimize current funding in the short term and make a strategic case for additional investment in the long term.
- **Attracting and retaining talent is difficult given current compensation levels:** Staff compensation remains low, and opportunities for career advancement remain limited, resulting in low staff retention. This contributes to workforce shortages that strain providers and compromise quality. As the sector continues to invest in career training opportunities for early educators, increasing compensation remains a critical priority to avoid a “brain drain” of trained professionals to adjacent sectors that pay higher wages.
- **The mixed delivery system complicates broad-based solutions:** Current funding streams form a complicated patchwork that is difficult to navigate, especially for small providers and family child care providers that may have more difficulty accessing information and resources. Designing simple, universal funding solutions would benefit the sector, but this approach is challenging because of the varying business models of different types of providers. Creative thinking will be required to build a coordinated funding model that meets different providers’ needs while simplifying funding streams.

# FUTURE DIRECTIONS

# FUTURE DIRECTIONS

In the course of our data collection, a number of fundamental questions surfaced pertaining to the future direction of funding for early education and care in Massachusetts. In many cases, stakeholders voiced differing perspectives on these questions or uncertainty about the best response. Exploring these questions and arriving at consensus will be key to building a nation-leading, coordinated funding model for the sector.

This section examines four fundamental questions, one relating to funding sources and three relating to funding streams, and key considerations that inform the discussion for each.

## Funding Sources

### FUNDAMENTAL QUESTION 1

#### Where should funding come from to cover the true cost of early education and care?

One shortcoming of the funding streams discussed above is that their design is not rooted in the true cost of providing high-quality early education and care in Massachusetts. For example, reimbursement rates for CCFA were, until recently, set based on current tuition rates—which reflected what families could afford to pay rather than the amount of funding needed to provide high-quality services to children and fair wages to staff.

In recent years, much research has been devoted to determining the true cost of high-quality early education and care in Massachusetts, taking into account provider type, age group, region, and fair staff wages. The Massachusetts Budget and Policy Center,<sup>54</sup> UMass Boston,<sup>55</sup> Neighborhood Villages,<sup>56</sup> and the Center for Early Learning Funding Equity<sup>57</sup> (commissioned by EEC) have all conducted studies to estimate this amount. While the sector continues to make strides toward consensus cost figures, a key challenge remains: Where should funding come from to cover the gap between current investments and the true cost of education and care?

#### KEY CONSIDERATION 1.1: To what extent should early education and care be treated as a public good?

In identifying funding sources to cover the actual cost of services, the sector must decide whether the goal is to move toward the provision of early education and care as a public good, meaning that government funds would guarantee universal access for families.

- **Idealism versus Pragmatism:** Many stakeholders noted that, because a market-based approach has fallen short of creating universal access, building toward the provision of early education and care as a public good is the best path forward. This would entail transforming the current market into a more coherent system, one in which the government plays a bigger role coordinating the mixed delivery system and standardizing quality. If the government guaranteed access to early education and care and covered the cost for every child, much like it does in the K-12 public school system, funding mechanisms would be streamlined, resulting in less need to navigate overlapping bureaucracies.

Further, the sector setting its eyes on a public good approach may be advantageous for political strategy, as it could energize a wave of advocacy to codify such an approach in state law. If successful, policymakers would then need to find ways to fund the approach. This strategy, codifying a lofty goal and then determining how

to fund it, was responsible for the success of the Student Opportunity Act of 2019, a major education reform bill that promised to roll out increased funding for K-12 public schools gradually over seven years in line with an updated funding formula.

Other stakeholders note that, from a pragmatic perspective, enshrining early education and care as a public good is too lofty to focus on in the short term. Since the sector functions more like the healthcare system than the public education system—in that there is a mix of provider types, consumers select their preferred provider from a marketplace of options, and the government subsidizes services for high-need populations—transitioning the system to promote universal access would be complicated. While the early stages of this transition can be seen in the increased government-led coordination of preschool providers through CPPI, this coordination is nascent and limited to the three- and four-year-old age group.

Some stakeholders note that because of the high cost of early education and care and the complexities of the mixed delivery system, funding must inevitably come from both government sources and families. However, all stakeholders acknowledge that the system requires a far greater investment of public funding to keep family contributions affordable while continuing to increase quality. (We will return to the question of which level(s) of government should be responsible for this investment.) Many stakeholders believe that preserving the government's focus on high-need populations is a worthwhile and efficient use of public funds.

- **Chapter 70 Equivalent:** Stakeholders cite a general appetite in the sector for a state funding mechanism for early education and care equivalent to Chapter 70, the funding stream for public school districts that uses student demographics and enrollment data to calculate the cost of educating all students in a given district (known as the foundation budget), then divides that cost between the state and the district. (Chapter 70 includes funding for district pre-K programs.) Stakeholders express that a Chapter 70 equivalent would create a simple, streamlined funding model. However, they note that Chapter 70 exists in a unique context that does not apply to early education and care. Namely, there exists a constitutional obligation for the state to fund K-12 public education, and municipalities are required to make a minimum contribution toward K-12 costs. Further, the design of Chapter 70 contains limitations. The formula does not account for inflation and is tied to the previous year's enrollment data, meaning it is not responsive to changes in enrollment within the school year. Because Chapter 70 is codified in state statute, updating the formula is politically challenging, with changes needing approval through the cumbersome legislative process.

Given the differing context and design limitations, many stakeholders are hesitant to fully support a Chapter 70 equivalent for early education and care. However, most stakeholders believe that replicating Chapter 70's foundation budget could be useful. In other words, once the true cost of early education and care is determined for children of different ages, regions, and needs, it could be beneficial to calculate for each provider the minimum total cost required to serve their enrolled population. Funding from different streams could then be braided to meet that minimum total cost. Some stakeholders note that the C3 program could represent the state's main contribution toward this foundation budget.



## KEY CONSIDERATION 1.2: What should be the roles of local, state, and federal governments and private entities in providing funding?

Covering the true cost of providing early education and care will require a significant increase in overall investment and, as such, will necessitate the mobilization of resources from all stakeholders. It is prudent to examine the resources available from public and private entities and the roles these entities are best equipped to play in the funding landscape.

- **State and Federal Government:** Stakeholders agree that the state government alone cannot bear the burden of bridging the gap between the current level of investment in the early education and care sector and the level of investment that would be needed to cover the true cost of services. Because the state is required to have a balanced budget, increasing the state's investment in early education and care would require a new revenue source. Within the past two years, the state has created two new revenue sources that support early education and care, in the form of an income surtax on high earners and an online state lottery. However, income surtax revenue is not designated exclusively for early education and care, and both new revenue sources are insufficient to cover providers' full costs. The state could consider establishing a payroll tax to support the sector as other states have done, but this may be politically difficult given the passage of another payroll tax in 2018 to support paid family and medical leave.

Given the limitations on state revenue, the federal government may be best equipped to contribute more dollars to early education and care since it is able to run a deficit and already has extensive funding infrastructure in place through Head Start/Early Head Start and the Child Care and Development Fund (CCDF).

On the other hand, stakeholders note that most proposals to increase funding for early education and care currently under consideration by the federal government do not aim for universal access or covering the true cost of services. Instead, most focus on increasing the income eligibility threshold for Child Care Financial Assistance (CCFA) in order to expand families' access to child care subsidies. One exception was a proposal within the Build Back Better Act to fund universal pre-kindergarten,<sup>58</sup> which would have enabled Massachusetts to divert CCFA funding to infant and toddler care, but this proposal has not been passed into law. Furthermore, the future federal contribution to early education and care will depend on the results of the 2024 election and the policy priorities of the next administration. Given this uncertainty, it may make sense for the state to pursue its own independent strategy to increase investment.

One potential direction for the state would be to replicate the Student Opportunity Act approach and commit to increasing investment by a certain percentage year-over-year until the true cost of early education and care is covered. This could serve as a nation-leading model for state-driven funding in this sector. Plus, investing additional state dollars would carry certain advantages, including flexibility for the state to set its own funding eligibility requirements and conditions.

- **Municipal Government:** Municipal governments, while limited in their ability to raise additional revenue by a state law known as Proposition 2½, can play an important role in contributing funding for early education and care. Municipalities can subsidize services for high-need families through scholarship programs, as seen in Lawrence,<sup>59</sup> or supplement early educator wages, as seen in Boston.<sup>60</sup> Municipalities can also invest in initiatives that expand availability and quality of pre-kindergarten, either through school district pre-K or partnerships that coordinate providers across the mixed delivery system. Boston serves as a model in this field, having established a trust fund to prioritize investment in its Universal Pre-K (UPK) program using municipal, school district, and philanthropic dollars. Stakeholders express that there should be incentives to

encourage municipalities that can afford to invest in such initiatives to do so, and for those that cannot, state funding should be available through the Commonwealth Preschool Partnership Initiative (CPPI).

School districts may also serve as a source of funding. While districts' capacity to offer pre-K is often restricted by facility constraints and limited administrative bandwidth, districts are able to receive pre-K funding through the state's Chapter 70 program. Stakeholders note that increased Chapter 70 funding through the Student Opportunity Act represents a large recent investment in early education and that more districts should leverage it. Additionally, districts are a valuable source of supportive services for community-based providers, able to provide training, coaching, and coordination of services. (We will return to the question of what the role of school districts should be in the early education and care landscape.)

Involving municipalities in funding decisions is important to ensure that dollars are deployed in a way that best fits the local context. Some stakeholders suggest that distributing more funding to municipalities and empowering them to create local funding models could be an effective strategy. Other stakeholders note that the infrastructure for this approach is not currently in place in many areas, meaning that local or regional coalitions would need to be formed to design the funding models and coordinate providers.

- **Philanthropic Organizations:** Stakeholders note that philanthropy is not suited to serving as a predominant source of service delivery funding for providers given that philanthropic dollars are limited relative to other funding sources and subject to sudden shifts in direction. Additionally, distributing philanthropic dollars to for-profit providers, such as family child care providers, carries legal difficulties. However, stakeholders express that philanthropic entities are more nimble than government agencies, needing to navigate less red tape to disburse funds, and small community-focused foundations may be more attuned to local needs. As a result, they are well-positioned to serve as catalysts, helping to build the capacity of effective programs, address short-term resource gaps, and pilot innovative ideas. For instance, the Irene E. and George A. Davis Foundation provided a grant to expand a drop-in child care center at Holyoke Community College,<sup>61</sup> and the Commonwealth Children's Fund set up the Massachusetts Family Child Care Emergency Fund during the pandemic to distribute philanthropic dollars to family child care providers through a series of intermediaries.<sup>62</sup> In doing so, foundations may also employ the principles of trust-based philanthropy such as streamlining applications and reporting requirements, co-designing accountability metrics with grantees, and gathering community input to inform grant design.

Philanthropy is also able to fund initiatives that improve the overall quality of early education and care. Philanthropic entities may fund supportive services for providers, specifically training and professional development. The United Way Shared Services and the SEIU Education and Support Fund are two examples of initiatives that provide training to family child care providers, partly funded by philanthropic dollars and partly by state or federal dollars. Philanthropic entities may also fund convenings of early education and care stakeholders, policy or advocacy initiatives, and research projects to better understand providers' needs.

Stakeholders agree that the role philanthropy is most uniquely suited to play in the early education and care funding landscape is that of "innovator." Philanthropic entities are better positioned to take risks with funding, and as such, they are able to fund innovative programs that test new ideas for how the sector could operate—such as Neighborhood Villages' work to offer centralized structural supports to providers.<sup>63</sup> Some state leaders have taken an interest in this work, so the program now receives public dollars as well—demonstrating how pilots can offer proof-of-concept and later be adopted and scaled by the state government.

In general, stakeholders observe growing communication and collaboration between EEC and the funder community, which they believe will encourage more funders to get involved in supporting the early education and care sector. They also cite the development of the Massachusetts Early Childhood Funder Collaborative as an exciting development in the philanthropic community with the potential to maximize the impact of funding by coordinating funders' priorities.

- **Employers:** Stakeholders observe increased interest within the business community in finding long-term solutions to the funding challenges of the early education and care sector. Employers generally would prefer to avoid the establishment of a mandatory state payroll tax to fund early education and care, which may translate into increased willingness to contribute resources to the sector voluntarily. Stakeholders also expect that employers would appreciate opportunities to co-design solutions to the sector's funding challenges.

In general, stakeholders agree that employers should play a role in supporting early education and care but that they should not be viewed as a universal solution, as not all employers have the resources to provide support. There are various roles that employers could play, such as providing scholarships for care; coordinating referrals to providers; funding start-up costs for new on-site or nearby early education and care centers, potentially in tandem with other nearby employers; offering Flexible Spending Accounts into which employees can divert pre-tax income to cover early education and care expenses; and offering an employer-sponsored early education and care benefit resembling employer-sponsored health insurance. Stakeholders are divided on the suitability of an employer-sponsored early education and care benefit. Some argue that it would provide a significant source of funding and could be more feasible politically than a Chapter 70 equivalent. Others believe it unwise to tie access to early education and care funding to employment status and anticipate that it would be complicated to design the benefit.

Mobilizing voluntary support from the business community will take creativity and will require providing ready-made solutions with demonstrated return-on-investment that employers can easily adopt. Identifying effective incentives, such as grants and tax credits, will be key. The state's new competitive matching grant program for employer-supported child care will serve as a useful test case. The federal Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act is another, requiring employers to have early childhood plans in place for employees but offering flexibility in how those plans take shape.<sup>64</sup>

### **KEY CONSIDERATION 1.3: How can the sector sustain the commitment to funding early education and care?**

The recent surge in early education and care funding reflects a renewed recognition of the importance of the sector and a strong commitment to bolstering it. However, given budgetary challenges facing all funding sources (e.g., decreases in state revenue collection, stiff competition for state income surtax funds, and uncertainty around future federal spending priorities), there is concern that the influx of funding will wane. Stakeholders highlight three actions that can help to preserve the status of early education and care as a priority and ensure funding commitments are sustained long-term:

- **Research:** Investing in research to highlight the impacts of funding and policies—and to identify where need remains—is critical to telling the story of the early education and care sector and to make the case for additional funding and policy reform. Research in this field is typically funded by state government, philanthropy, or providers. The state budget for FY2025 establishes a data advisory commission for early education and care and directs EEC to conduct numerous studies, including on the methodology for determining the true cost of education and care; proposed improvements to the Early Education and Out of

School Time Capital Fund; the feasibility of establishing a support network for family/friend/neighbor care; the effects of the updated C3 grant formula; the utilization of C3 funding by multi-site, for-profit providers; recommendations for establishing a workforce pipeline; and recommendations for involving employers in supporting the sector. Philanthropic entities are also suited to fund research projects and often do. Additionally, some providers conduct research in-house. Stakeholders underscore that C3 presents a powerful opportunity to collect more data, given that the vast majority of EEC-licensed providers participate in the grant program and must follow reporting guidelines as a condition of receiving funds.

- **Advocate:** Investing in advocacy efforts is critical for bringing research findings to decision makers and building coalitions for policy change. Since public dollars cannot be used for this purpose, philanthropic funding is well-suited to supporting advocacy initiatives. Nonprofit partners can also help build the capacity of would-be advocates—for example, Strategies for Children operates the Advocacy Network for Early Education and Care, a yearlong training program that equips early educators with the skills to advocate for state and local policy change.<sup>65</sup>
- **Convene:** Stakeholders assert that the statewide infrastructure created within recent years to convene stakeholders and providers—including EC101, the Early Childhood Agenda, Strategies for Children’s 9:30 Call, the Massachusetts Early Childhood Funder Collaborative, the Massachusetts Business Coalition for Early Childhood Education, and the state’s Early Education and Child Care Task Force—has had a major impact on the sector’s ability to share information, align priorities, and advocate for resources. Recent grant programs such as CPPI and Summer Step Up have also convened providers at the local level to strengthen the coordination of service delivery. Stakeholders note that additional investment in efforts to convene the sector, both statewide and locally, is critical to breaking down historical siloes so that the sector can present a united front in advocating for resources. Some stakeholders suggest that more sustained funding for the Coordinated Family and Community Engagement Network could be an avenue toward stronger coordination of providers at the local level.

# Funding Streams

## FUNDAMENTAL QUESTION 2

### How can the sector coordinate funding streams to create an efficient, unified funding system?

Beyond the insufficient amount of funding available, another challenge faced by the early education and care sector is the patchwork nature of funding streams. Some funding streams (such as C3, Head Start/Early Head Start, and Chapter 70) treat the sector more like a public good, similar to K-12 public education, while others (such as CCFA) treat it more like a subsidized private market, similar to the healthcare system. Providers have to navigate these disparate approaches and braid together funding streams in a way that makes sense for their business model. Providers must also identify and coordinate supportive services (such as training and child mental health supports) to maintain and improve their quality over time. Overall, there is a need to ensure that all funding streams are designed to complement each other as a streamlined, unified system. To this end, the sector must consider which funding streams constitute the pillars of this system, where there are gaps that need to be filled, and how the accessibility of the system can be improved for providers. An ongoing study led by Professor Jeffrey Liebman of the Harvard Kennedy School is investigating the economics of early education and care funding in Massachusetts, which will further inform responses to this fundamental question.<sup>66</sup> In the meantime, the following key considerations can also help shed light on how the sector can move toward a more coordinated funding approach.

#### KEY CONSIDERATION 2.1: Which funding streams should constitute the pillars of the funding system?

- **Pillars of Service Delivery Funding:** Stakeholders generally agree that service delivery funding for group and school-age providers and family child care providers should be designed around the pillars of C3, CCFA, and a family contribution that depends on the family's income level. (Head Start and Early Head Start providers and school district pre-kindergarten programs leverage a different mix of funding streams.) Stakeholders assert that maintaining investment in C3 is critical, though some express uncertainty about whether C3 allocations should be based on capacity (which is more stable and similar to Head Start's successful funding model) or on the number of enrolled children (which may align more closely with per-child costs). Other stakeholders suggest that C3 allocations should be tied to the true cost of providing services rather than current operating costs. These decisions may hinge on future data indicating how providers spend C3 dollars and any future efforts to fold C3 into a foundation budget for early education and care.

Stakeholders express uncertainty about whether C3, if expanded, might absorb other funding streams, including CCFA, Chapter 70 pre-K funds, or other streams funded on a per-enrolled-child basis. Some believe such a move could simplify the funding landscape for providers. However, consolidating funding streams may not simplify fund disbursement, and the complexities of the mixed delivery system may make consolidation infeasible. For instance, Head Start is federally funded and will need to remain a separate funding stream, barring a federal policy change, and Chapter 70 pre-K funding may be best suited to remain a separate stream given that it leverages existing budgetary infrastructure between state government and school districts. Since CCFA receives significant amounts of federal funding, C3 is unable to absorb the stream, barring a federal policy change, but the C3 formula could subsidize certain types of education and care in a way that would free up CCFA dollars to support other types (e.g., for specific populations of children).

Some stakeholders would also prefer to preserve separate streams that foster the coordination of service delivery (e.g., CPPI and Summer Step Up).

Several stakeholders view CPPI as a critical add-on to the pillars of service delivery funding described above, seeing it as a valuable tool to expand access to preschool. They propose that it could be complemented by state incentives to encourage municipal investment in pre-K and coordination of providers. CPPI funding, if expanded statewide, could also be absorbed into Chapter 70 pre-K funding. However, some stakeholders believe the initiative should focus on expanding access to early education and improving quality within municipalities that lack the resources to invest their own dollars in pre-K.

#### ■ Design Considerations for Funding

**Pillars:** Stakeholders hold differing

perspectives on whether C3, as a pillar of the funding system, should be designed to support all providers or just providers serving high-need families. Proponents of the former argue that universal challenges faced by providers, such as hiring staff and raising early educator wages, warrant universal funding and that making C3 available to all providers during the pandemic had a strong positive impact on the sector. Further, a universal approach requires less red tape and can create a more cohesive sector that can collectively advocate for resources. Proponents of targeting funds to providers serving high-need families point out that funding is limited and should therefore prioritize those most in need of support. State government has an obligation, they assert, to support low-income families in the name of equitable access to early education and care.

Stakeholders generally agree that a reasonable compromise is to preserve the universality of C3 funding but create tiers of support that allocate more funding to providers serving low- and middle-income families, as required by the state budget for FY2025. Stakeholders note that since the tiers of support are delineated by how many children receiving CCFA are enrolled with a provider, among other factors, it should be an immediate priority to expand the availability of CCFA. This will enable more high-need families to access subsidies, and the providers that serve them will be credited through the C3 formula. The FY2025 state budget took a step in this direction by raising the CCFA income eligibility threshold from 50% to 85% of the state median income (SMI), ensuring more low- and middle-income families will be able to receive subsidies, and allowing further increases up to 125% SMI should funding become available. Many stakeholders underscore the importance of raising the threshold to 125% SMI, while still prioritizing families below 50% SMI. In tandem with these efforts, stakeholders advocate for increasing CCFA reimbursement rates so that more providers can afford to accept children receiving CCFA.

At the same time, these two improvements to CCFA—expanding availability and increasing reimbursement



rates—are competing goals when there is a limited pool of funding. That is, if CCFA funding rises by a set amount, EEC must essentially decide whether to increase the number of subsidies at the current rates or increase the rates for the current number of subsidies. Increasing the number of subsidies, especially if done in tandem with raising the income eligibility threshold, is important for expanding access to early education and care for low- and middle-income families. Encompassing middle-income families in eligibility criteria is worth considering given that these families often do not qualify for financial support but struggle to pay the market rate for early education and care. Other solutions to support middle-income families, such as increasing universal C3 funding so that providers can decrease tuition rates, are also possible. On the other hand, increasing reimbursement rates would help pay providers enough to cover their costs (including fair staff wages) and ensure a high quality of education and care. Rate increases made during the pandemic were a particularly impactful source of funding for providers.

- **Centering Quality:** Stakeholders note that in building out the pillars of the funding system, it is important to ensure that funding streams are designed not just to expand access to early education and care but also to promote high quality. To that end, it is essential for the sector to first reach consensus on quality standards and then support providers in attaining those standards. For service delivery funding, this may look like attaching quality compliance measures to CCFA or C3. For example, providers that accept C3 may be required to provide early educator salaries in line with certain expectations, utilize high-quality curriculum, and make a professional learning plan for staff. Funding streams like CPPI that empower communities to identify local needs and make targeted investments in quality, within grant guidelines, can be an effective way to help providers meet quality standards.

Regarding funding for supportive services, stakeholders express that training, coaching, and technical assistance are essential for improving the quality of education and care, though these may need better coordination to maximize the benefits for providers. Training options are numerous and include offerings from EEC's Professional Development Centers and Early Childhood Support Organizations, United Way Shared Services, the SEIU Education and Support Fund, and some Family Child Care Systems.

Regarding funding for system infrastructure, advocates and providers, who typically favor less regulation, assert that a Quality Rating and Improvement System (QRIS) is not useful for promoting improvement. Such systems struggle to accurately reflect the many dimensions of quality and, as a result, tend to feel arbitrary or unfair to providers. In the past, QRIS models have been implemented as an attempt to compensate, from a quality standpoint, for the overall insufficient investment in early educator wages and career pathways. From this perspective, a more effective method of ensuring quality is to invest in workforce development. (We will return to the question of how to support workforce development in the sector.)

## **KEY CONSIDERATION 2.2: How can the sector design funding streams to address providers' unmet needs?**

In designing a unified funding system, it is useful to consider where the gaps are—that is, where providers' needs are not sufficiently supported by existing funding streams. Current sources of service delivery funding and supportive services funding could be modified, or new funding streams created, to more directly address these needs. Stakeholders, including providers, identify the following areas as priorities for additional support.

- **Child Mental Health:** Increased support for child mental and behavioral health services is a critical emergent need. Waitlists for clinical services are long, and early education and care providers' capacity to offer services is limited. Many advocate for a sustainable funding solution through government sources, rather than

smaller-scale philanthropic sources, and note that any solution should focus on proactive, not just reactive, services. For instance, C3 could support providers in employing social workers. Stakeholders support further investments in mental health consultation services, which received increased funding during the pandemic, and propose creating a child mental health resource hotline that early educators can access, similar to the Massachusetts Child Psychiatrist Access hotline for physicians.<sup>67</sup> Stakeholders also note that mental health training for providers is critical, especially on the principles of reflective supervision,<sup>68</sup> and that existing training offerings by EEC, the state's Office of the Child Advocate, the Massachusetts Association for Infant Mental Health, and the Massachusetts Society for the Prevention of Cruelty to Children could be bolstered through an annual state budget line item.

- **Special Education Services:** Providers cite limited funding and supports for children with disabilities as a critical area for improvement. Early Intervention funding ends when a child reaches age three, and even if a child then starts receiving special education services from a school district, they may remain enrolled with a community-based provider while awaiting services or to receive extended-day care. Therefore, providers would benefit from additional resources, such as funding for one-on-one aides, as well as training on how best to accommodate children with disabilities, how to support families in transitioning their child from Early Intervention to special education, and how to support families in navigating services and payment options. CPPI, which includes a goal of strengthening service coordination for children with disabilities, can be helpful in equipping community-based providers with training and shared specialists, such as speech-language pathologists.
- **Capital Improvements:** Providers note that facilities improvements are not eligible expenses for certain funding streams and that designing less restrictive funding streams would give them more flexibility to improve their spaces. Others describe difficulty accessing the state's Provider Capital Grant, either because the application process was overwhelming or because the grant required them to front the money for a capital project and then be reimbursed, which they could not afford.
- **Summer Learning:** For districts that offer pre-kindergarten during the school year, ensuring access to summer enrichment opportunities is critical for children's continued learning and development. However, providers note that support for such programs is waning, especially in districts that leveraged soon-to-expire ESSER funds for summer programming. Funding through streams like Summer Step Up, which facilitates partnerships between districts and community-based providers to expand access to summer enrichment, may help to meet this need.
- **Transportation:** Providers cite a lack of transportation as a critical barrier many families face in accessing early education and care. Providers typically lack the funds or bandwidth to coordinate transportation services. In some communities, transportation is needed to connect school-day district programs with extended-day community-based programs. Some providers also express that funding to support transportation for field trips would be useful.

### **KEY CONSIDERATION 2.3: How can the sector make funding streams more accessible to providers?**

Designing a unified funding system requires that funding be accessible to those it is intended to support. Small providers and family child care providers, whose expertise is more often in child development than in business management, may be unfamiliar with how best to apply for funding and comply with associated rules and regulations. Offering clear information, training and technical assistance, and streamlined funding applications and reporting can maximize the accessibility of available funding.



- **Clear Information:** Providers report that a main challenge is simply learning what funding streams are available. They often learn about available funding through word of mouth via formal or informal support networks, EEC licensors, and fellow providers. While funding information is available through EEC newsletters, EEC’s website, and the state’s COMMBUYS e-procurement platform, some providers are unaware of these channels or find them confusing to navigate. A more centralized, straightforward resource hub may be beneficial for providers.

Providers also note that they may be dissuaded from applying for funding if they are unsure how to gauge their eligibility or comply with reporting requirements. Funding applications, and any centralized resource hub containing them, should present comprehensive information about eligibility criteria, application procedures, potential uses of funding, and reporting requirements in clear, simple terms free from technical jargon, and ideally in multiple languages. Some providers also express that when they have questions about an application, it is challenging to connect with a funding administrator to have their questions answered, so clearer communication channels would be beneficial.

- **Training and Technical Assistance:** Many small providers and family child care programs note that, given their lack of expertise in business management and overall limited bandwidth, it would be helpful to have training and technical assistance to instruct them on best practices for seeking out and applying for grants. Many training partners are already engaged in this work, especially for family child care providers, including United Way Shared Services, EEC’s Professional Development Centers, and the SEIU Education and Support Fund. Access to consultants who can directly support with grant-writing could also be helpful.

Training and technical assistance would also help providers strategize about how best to braid together funding streams to cover their expenses. Because each funding stream has its own requirements and eligible expenses, providers report difficulty jigsawing together sufficient resources to meet their needs and often worry they will inadvertently spend funds on ineligible items. Accessing CCFA can be especially complicated. In general, support with multiple aspects of financial management would improve access to funding within the sector.

- **Simplified Applications and Reporting:** While providers agree that EEC has made positive strides toward simplifying applications, especially with C3, there is more to be done. Some stakeholders suggest creating common applications for grant programs intended for similar audiences.

Grant reporting requirements could also be simplified in line with the principles of trust-based philanthropy, which sets requirements that are as minimal as possible—no more or less than what is required to ensure the effective use of funds. Trust-based philanthropy also suggests that minimum reporting requirements can be co-designed with grantees, trusting local expertise to guide the eligible uses of funding and outcomes that are most important to report. This approach is less onerous for providers, though it does not enable the grant administrator to collect comprehensive outcomes data that could be useful.

### FUNDAMENTAL QUESTION 3

## How can the sector best leverage the mixed delivery system?

Early education and care in Massachusetts is delivered by a broad mix of providers who serve different age ranges and offer various hours of operation. While this model is multifaceted and may complicate efforts to create a streamlined, unified funding system, it possesses a key strength: the ability to accommodate a broad spectrum of families’ needs. The mixed delivery model promises families a choice of setting and schedule in order to find



an arrangement that best suits their child. However, the model currently falls short of this promise. It is difficult for families to navigate the suite of options, seats are limited, and costs are high, meaning families often have to take whatever seat becomes available to them. As the sector looks to improve funding streams and strengthen the overall funding system, it is important to consider how to fund the mixed delivery system so that it fulfills its promise of choice. To this end, the sector must consider the relative roles of various types of providers and how funding can maximize providers' varying strengths and areas of expertise.

### **KEY CONSIDERATION 3.1: What should be the role of public schools in the early education and care landscape?**

Recent years have seen an increase in funding for school districts to expand and coordinate preschool services through CPPI, Chapter 70, and municipal initiatives. These investments reflect growing involvement of districts in the early education and care landscape. As decisions are made around designing and allocating money to various funding streams, it is important to consider the role that school districts are best suited to play and how they can complement the work of community-based providers.

- **Public Pre-K:** Some stakeholders predict that within a few decades, districts will become the main providers of pre-K through a robust public system, though mixed delivery options will remain. Currently, district pre-K offerings tend to be part-day and/or for children with disabilities. Many districts lack the capacity to offer pre-K due to space constraints and limited administrative bandwidth. Districts should be encouraged to make use of Chapter 70 pre-K funding to expand their early education programming.

Some providers express that licensing of school-based after-school care for three- and four-year-olds is confusing and onerous, as programs may need to meet different requirements for the Department of

Elementary and Secondary Education (DESE) than for EEC. Stronger coordination between DESE and EEC on pre-K and after-school care for three- and four-year-olds may help districts expand their pre-K offerings and hours.

- **Implications for Community-Based Providers:** While the expansion of public pre-K would benefit families from an affordability standpoint, community-based providers voice concerns that such an expansion would negatively impact their business models. Namely, this expansion would force community-based providers to shift toward offering more infant and toddler care, which is more costly due in part to higher required staffing ratios. For many community-based providers, enrolling three- and four-year-olds helps to offset the high cost of programming for infants and toddlers. Community-based providers would likely also need to shift toward serving three- and four-year-olds during after-school hours, which would come with the challenge of finding part-time staff. Additionally, the expansion of district-run pre-K would likely require community-based providers to increase the wages of preschool staff to compete with the higher wages districts are able to offer. Wage parity between districts and community-based providers is a worthwhile goal but would drive up costs for community-based providers in a way that may not be sustainable without additional funding.
- **Locally Designed Partnerships:** Stakeholders emphasize that partnerships between districts and community-based providers to coordinate the delivery of preschool is a critical way to minimize short-term disruptions to the mixed provider system, while preparing for a more sustainable long-term approach. Partnerships help to leverage the capacity and expertise of all providers, while also increasing and standardizing quality. Some districts have adopted a partnership approach to preschool on their own, often due to limited space in school buildings; others, meanwhile, have accessed funding streams like CPPI and Summer Step Up that prioritize (and aim to accelerate) partnership-building.

By partnering with community-based providers, school districts can play the vital role of driving locally designed solutions for improving preschool access, quality, and affordability. Given their level of funding and administrative know-how, districts are equipped to take on the role of convening providers to identify local needs and strategically coordinating efforts to meet those needs. This approach ensures that funding is put to use in a way that is most effective given the local context.

### **KEY CONSIDERATION 3.2: How can the sector best support the most under-resourced domains of the early education and care landscape?**

Because the mixed delivery model complicates how funding is designed and allocated, funding does not reach all parts of the early education and care landscape evenly. Certain types of providers, specifically family child care providers, face challenges accessing available resources. Additionally, infant and toddler care receives fewer resources relative to its cost. To leverage the full mixed delivery model, the sector must ensure that funding streams are designed strategically to reach these domains.

- **Family Child Care:** Family child care providers (known as FCCs) are an invaluable component of the early education and care landscape. FCCs tend to be passionate small business owners with early education and care experience and/or formal education in child development. Many FCCs are immigrants or women of color, often serving children in their community who match their cultural and/or linguistic backgrounds.<sup>69</sup> Because FCCs handle both child-facing and business management duties by themselves, and because many hold marginalized identities, they often experience challenges accessing funding. Proactive measures to make funding more accessible—including by providing clear funding information in multiple languages, streamlining applications and reporting requirements, and taking other actions described under Key

Consideration 2.3—are important for supporting FCCs. FCCs note that their EEC licensor is often a helpful source of information regarding funding and that this relationship could be leveraged to disseminate funding information more quickly.

Supporting FCCs requires a stable business model for family child care that policymakers help foster. Progress to this end can be made through the careful design of policy and funding opportunities. On the policy front, stakeholders note that raising the maximum capacity of FCCs from 10 to 12 children and expanding benefits for FCCs through collective bargaining agreements (for providers who contract with the state to accept CCFA and are unionized under SEIU Local 509) would improve financial stability for FCCs. In designing funding, some stakeholders point out that large grants can be overwhelming for small business owners who are used to tight margins and may not have a long-term investment plan. Smaller grants with clear purposes may be easier for FCCs to utilize (as long as these do not require substantial time to apply for and manage). Designating funding that FCCs can use to hire assistants—or investing in infrastructure, perhaps through a state budget line item or local funding, that trains assistants and connects them with FCCs—would further improve providers' financial stability. Additionally, investing in supportive services that help interested FCCs seek the proper licensing to provide care during nonstandard hours, as the organization Care That Works is doing, could help FCCs stabilize their business models.<sup>70</sup>

Stakeholders note that providing grant funding directly to FCCs often presents an administrative burden for programs that receive it, requiring recipients to ensure the funding is used for eligible purposes and to document how it is used in line with reporting requirements. As a result, while increasing direct service delivery funding for FCCs is one strategy, investing in supportive services that FCCs can access may be a less burdensome form of support. As mentioned above, services to connect FCCs to assistants and help FCCs seek licensing to provide care during nonstandard hours are two possible supportive services. Another is offering administrative services, such as those provided by Family Child Care Systems, to help FCCs manage their billing, finances, and enrollment. Stakeholders note that, in general, expanding training and professional development opportunities, especially on business management, can help FCCs to strengthen their financial practices and improve the quality of their services. Training options are currently available through various channels, including EEC's Professional Development Centers and Early Childhood Support Organizations, United Way Shared Services, the SEIU Education and Support Fund, and some Family Child Care Systems. Municipalities may also offer training and coaching, such as the City of Boston does through the Family Child Care Roadmap.<sup>71</sup> Stakeholders express that care should be taken to offer trainings that accommodate FCCs' schedules and align with their priorities. Some suggest that more trainings should be led by FCCs given their ability to relate to their peers' experiences—a goal United Way Shared Services and the SEIU Education and Support Fund are advancing—and that ongoing support should be offered following trainings.

FCCs voice that building networks of support is a critical tool to improve their quality and financial stability. Many FCCs have created informal peer networks for sharing information and best practices, and formal networks such as Strategies for Children's 9:30 Call serve a similar function. Many express interest in more opportunities to connect with and learn from their peers, including through networks or mentorship programs. The SEIU Education and Support Fund is heavily involved in this work, operating a peer mentorship program for FCCs along with FCC-led communities of practice. The latter provides a monthly space for FCCs to convene in small cohorts to share information and identify common needs.

Finally, FCCs assert that a pivotal way to support their businesses and the children they serve is to ensure that FCCs have a voice in shaping, and play a role in implementing, solutions to the challenges of the early education and care sector. FCCs cite that they have historically been left out of decision-making and

designing innovative solutions for the sector, though they see this changing as recognition of their reach and importance grows. Investing in pathways that equip FCCs to be leaders in the sector, such as Strategies for Children’s Advocacy Network, the Early Education Leaders Institute at UMass Boston, and advocacy training provided through the SEIU Education and Support Fund, can support FCCs’ involvement in co-designing solutions for the sector. FCCs also express the need to collaborate more with school districts—for example, to identify children needing after-school care—and to be included in solutions that coordinate providers across the mixed delivery system. Boston is working to integrate FCCs into its Universal Pre-K (UPK) program, but it can be challenging to tailor quality standards to apply to the FCC context. For example, requiring the use of a certain curriculum may not be prudent given that many FCCs serve children of various ages, and requiring participation in shared professional development may not be practical given FCCs schedules. Coordinated initiatives that encourage FCC participation can help communities leverage the full mixed delivery system.

- **Infant and Toddler Care:** Providing care for infants and toddlers is more expensive than providing care for three- and four-year-olds due to higher staffing ratios and materials costs. As a result, offering infant and toddler care alone is often not financially viable. Many providers rely on revenue generated from serving three- and four-year-olds to offset the high cost of serving infants and toddlers. This dynamic adds precarity to the early education and care sector, as the expansion of public pre-K could destabilize providers’ business models (unless achieved through partnerships between school districts and community-based providers). For that reason (and the generally high cost of care), stakeholders cite a critical need for more targeted support for infant and toddler care. There has been some progress toward this end. Recent increases to the reimbursement rates for CCFA gave a boost to infant and toddler care, and the new C3 grant formula for center-based care providers directly accounts for the youngest age group served. Still, more support is needed through both of these funding streams. There could also be a separate funding stream or earmarked funds within an existing funding stream specifically for infant and toddler care, much like how there is dedicated support for Early Head Start programs.

To expand the number of infant and toddler seats available, FCCs could play an increased role—particularly if they are able to access the types of support outlined above. Some providers note that they could more easily add infant and toddler seats if their contracts for CCFA allowed them more flexibility to shift contracted slots to the infant and toddler age group. To increase the affordability of infant and toddler care for families, some stakeholders suggest incentivizing employers to offer scholarship programs, given that care for this age group is critical to allowing parents to return to the workforce.

#### FUNDAMENTAL QUESTION 4

### How can the sector advance the early educator profession?

Stakeholders and providers repeatedly express that the difficulty they face attracting and retaining qualified early educators is a top priority for the sector to address. This workforce challenge, which predates the pandemic, stems largely from the low wages, limited benefits, and minimal career advancement available to early educators, as well as the low level of prestige associated with the profession. As a result, the early education and care sector struggles to compete for talent with other service-oriented industries, such as healthcare and elder care, and with the K-12 school system.

Because of these challenges, many providers face staffing shortages, creating strain for their employees and the families and children they serve. Shortages often force providers to bring in temporary staff, which is costly due to associated fees and tax structures. Employees face a higher risk of burnout due to staffing shortages, especially

when early educators are unable to take vacation time and when directors need to fill in for vacant educator roles on top of their administrative duties. Families suffer when classrooms must temporarily or indefinitely close due to a lack of staff, and children suffer from the inconsistent learning environment that is created when staff are in flux.

Providers and other stakeholders note that addressing this workforce issue is a necessary precursor to ensuring high-quality early education and care in Massachusetts. In the past, the sector has often invested in quality improvement initiatives that attempt to make up for the negative impacts of the workforce issue without addressing the issue itself, or prioritized other goals like expanding available seats. However, stakeholders universally emphasize that strengthening the compensation, career advancement, and prestige of the early education and care workforce must be a primary goal that lays a foundation for improving access to high-quality programming. Further, supporting workforce development in the sector also has the potential to promote economic empowerment among early educators, who are predominantly women of color.<sup>72</sup>

Ultimately, in order to attract and retain talent, the sector needs to consider how targeted investment can help to advance the early educator profession by developing career pathways and improving compensation. Much work is being done across the sector on this front, and there is general consensus about the need for more investment, both short- and long-term.

#### **KEY CONSIDERATION 4.1: How can the sector create robust career pathways for early educators?**

Unlike K-12 education and healthcare, the early education and care sector lacks clear pathways for career advancement, making it more difficult to attract and retain staff. Establishing career pathways is a critical tool for advancing the profession, granting early educators professional standing similar to that of K-12 educators. Further, career pathways are important for establishing professional expectations that justify increases in compensation throughout an early educator's career.

- **Cross-Sectoral Approach:** A foundational element of building career pathways is bringing together partners from across sectors in service of shared goals. This requires the involvement of workforce development entities, including state government agencies like the Executive Office of Labor and Workforce Development (EOLWD) and the Executive Office of Housing and Economic Development (EOHED). The Healey Administration's whole-of-government approach to solving the sector's challenges through the Early Education and Child Care Task Force is helping mobilize these agencies, and others, to work alongside EEC in establishing career pathways. Similarly, the Good Jobs Challenge Grant is working to deepen the involvement of providers, sourcing partners (those that identify and support prospective candidates for training), and training partners in implementing pathways to career advancement. Bringing all of these entities on board is critical to tap new sources of funding, leverage existing expertise, and generate buy-in among all workforce partners. Further, it creates space for partners to align how they message the benefits of working in the early education and care sector to prospective employees.
- **Career Ladder and Credentials:** Central to establishing career pathways is outlining a career ladder that delineates professional roles along a continuum and sets qualifications for each role. To this end, EEC is working to create an early educator credential with four levels. Early educators can work toward a higher-level credential to meet the qualifications for a more advanced role, such as lead teacher, mentor, or coach. The Department is also working on a separate endorsement that staff can earn to meet the qualifications for

administrative roles. EEC has entered into a partnership with the American Institutes for Research, funded by the federal Preschool Development Grant Birth through Five, to develop both higher education pathways and alternative pathways for early educators seeking to obtain an EEC credential or administrative endorsement. Other organizations have also developed additional endorsements, such as the Infant and Early Childhood Mental Health Endorsement created by the Massachusetts Association for Infant Mental Health and the Massachusetts Society for the Prevention of Cruelty to Children.<sup>73</sup> Early childhood professionals can earn this credential—and renew it annually—to demonstrate an understanding of best practices for supporting young children’s mental health. This endorsement could be cross-walked with EEC’s early educator credential to make clear how early educators can earn both without duplicating training.

Stakeholders underscore that a career ladder and related credentials and endorsements must be designed to ensure equitable advancement opportunities for all early education and care professionals. Requiring higher education for advancement would create hurdles for many professionals due largely to its cost. Allowing professionals to earn credentials based on years of experience rather than higher education would recognize the skills developed on the job by many early education and care staff, especially family child care providers. Designing credentials to be equitable is especially important if holding the appropriate credentials becomes a requirement for providers to receive funding through C3 or CCFA.

Additionally, stakeholders agree that a career ladder and related credentials and endorsements must be tied to salary increases if they are going to promote retention among early educators. Currently, earning an associate or bachelor’s degree as an early educator typically results in a marginal increase in pay. To incentivize professional growth, higher-level credentials must come with a significant salary raise. For instance, obtaining a higher-level credential could correspond to an increase in reimbursement rates through CCFA. This is especially important for family child care providers, who lack the ability to advance in their role but could seek a higher-level credential as a means to increase their earnings. (We will return to the question of how to increase salaries connected to a salary scale.)

- **Access to Career Training:** For a career ladder to be effective, career training that facilitates advancement up the ladder must be widely available and accessible. Funding that supports no- or low-cost training provided by a range of training partners, such as institutions of higher education, apprenticeship providers, unions, and professional development centers, can help expand access. Providers note that, due to labor market challenges, it is difficult to find staff who are already trained to work in the field, so it is common practice to hire staff in need of training. Expanding training offerings would thus greatly support providers and improve program quality.

Stakeholders tout apprenticeships as an effective way to attract new talent to the sector, as they allow participants to complete training while earning wages. Expanding Registered Apprenticeships also presents an opportunity to access public funds for career training. However, government requirements to become a Registered Apprenticeship are designed for traditional trades and are often challenging for early education and care providers to meet. (Industry intermediaries known as “Ambassadors” play an important role in helping providers prepare their apprenticeship programs for formal registration with the government.) Modifications to these government requirements would make it easier to scale apprenticeships and incentivize more providers to participate, particularly non-profit providers. Many entities are working to expand apprenticeship opportunities across the state, including Neighborhood Villages, Family Services of Central Massachusetts, the YMCA of Greater Boston, the Community Group, SEIU Local 509, Community Day Care Center of Lawrence, and For Kids Only Afterschool. State agencies, through EEC and the Executive Office

of Labor and Workforce Development's Division of Apprentices Standards, are actively supporting this work. In general, it is important to ensure apprenticeships are also available to aspiring family child care providers to ensure equitable access to training across provider types.

Career training can also be made accessible by subsidizing higher education for early educators, either by providing scholarships or loan forgiveness to educators or by funding institutions of higher education to offer no-cost training programs. State government currently invests in each of these methods, offering the Early Childhood Educators Scholarship Program, the Massachusetts Repay Program and a new loan forgiveness program for early educators, the Early Childhood Career Pathways Programs at community colleges, and the MassEducate program that offers free community college. Municipal and philanthropic dollars are also used to provide scholarships to educators.

Meanwhile, the state makes training available through EEC's Professional Development Centers, Professional Development Academy, and Early Childhood Support Organizations. Trainings offered through EEC's online StrongStart professional development platform are available in multiple languages but could be made available in additional languages to attract untapped pools of talent.

Finally, the Good Jobs Metro Boston Coalition Child Care Sectoral Partnership, funded by the Good Jobs Challenge Grant, presents one collaborative model for expanding access to career training. This partnership has brought together entities that identify and support talent with entities that offer training and those that hire employees, all in service of establishing entry points into the profession or career advancement for early educators. Through collaboration, these entities look for promising candidates—both aspiring and current early educators, including family child care providers—then provide free training and supports to those individuals while they are employed in the sector. In this way, the model carries many benefits of an apprenticeship, without needing to adhere to government apprenticeship requirements. According to stakeholders, initial outcomes are promising, demonstrating the model's ability to promote cross-sectoral collaboration and address workforce shortages. State government may look to invest in and scale this model once federal grant funding expires in 2025.

#### **KEY CONSIDERATION 4.2: How can the sector raise staff compensation across the board?**

Stakeholders repeatedly assert that low compensation is the main reason why the sector struggles to attract and retain talent. The sector will not address its workforce challenges until its employees earn a living wage. As it stands, many early educators qualify for government benefits, including CCFA, because their salaries fall below the income threshold. This highlights the urgent need to increase staff compensation, but it also poses a challenge: if compensation is increased so that staff fall just above the income threshold for government benefits, they may end up worse off financially, with their increased income unable to make up for the loss of their benefits. Increases in compensation must be sufficient to overcome this “benefits cliff effect” and ensure early educators can meet the needs of their families.

- **Salary Scale:** Stakeholders emphasize that to ensure fair and consistent pathways for professional advancement, there must be a scale that sets a salary floor for each rung of the career ladder, aligned with specific qualifications. A salary scale is also needed to calculate the true cost of education and care, which in turn is needed to determine funding allocations like C3 and reimbursement rates for CCFA. EEC is partnering with the American Institutes for Research, using funding from the federal Preschool Development Grant Birth through Five, to develop a salary scale. It is uncertain if providers will be required to abide by this salary



scale—for example, as a condition of accepting C3 funding—or if the scale would simply provide benchmarks for setting and negotiating salaries. Stakeholders believe that the salary scale should prioritize pay parity between school-based educators (who tend to earn more) and all other educators, provided that their roles and qualifications are equivalent. The FY2025 state budget requires pay parity to be a feature of EEC’s career ladder.

- **Increased Direct Compensation:** Staff compensation has been increasing in the sector thanks to the influx of investment in recent years, but salaries remain low. To further increase salaries, C3 and CCFA are cited as the most promising channels. C3, as a universal program, has the ability to support increases in compensation broadly and has been used for this purpose by many providers. For more providers to commit C3 funds to recurring expenses like salary increases, they must view C3 as a reliable source of funding year-to-year. The program was recently made permanent in state law, which greatly improved its reliability. However, because the program was overextended in the spring of 2024 (due largely to its own success) and allocations had to be reduced for the remainder of the fiscal year, providers still report hesitation in using C3 for ongoing expenses. State leaders will need to ensure there is a stable stream of funding available to maximize C3’s utility for increasing compensation.

Setting reimbursement rates for CCFA and C3 grant amounts that reflect the true cost of services and are equitable across regions and age groups would also help increase compensation. For C3 and CCFA to fully cover costs in this way, funding for these programs would need to be increased, likely using additional state or federal dollars. The state could commit to an incremental approach to funding (as in the Student Opportunity Act of 2019) to progress toward the end goal of full funding without overextending the state budget. If this approach is taken, state leaders will need to decide whether simply disbursing more funding to providers will organically lead to higher compensation or whether conditions will need to be attached to the receipt of funding, for example by requiring adherence to a salary scale.

Some stakeholders suggest that another means of increasing compensation could be to establish a separate funding stream that provides a guaranteed income level to early educators by directly supplementing their income. Such a program could be piloted for a small subset of early educators, potentially educators in community-based settings whose roles and qualifications match those of school-based educators but whose salaries are lower. Alternatively, the pilot could focus on early educators working in a specific region or in an under-resourced domain, such as infant and toddler care. Such a pilot could be funded by philanthropy, with the goal of having the state fund and scale it down the road, or it could be a short-term solution while the sector continues to seek increases in funding streams that allow providers to raise compensation across the board.

- **Increased Indirect Compensation:** An additional way to improve early educators’ financial standing is to subsidize their general costs of living. This approach has the advantage of sidestepping the “benefits cliff effect,” since it does not increase educators’ income and therefore does not impact their eligibility for government benefits. To this end, stakeholders suggest that the state could establish a tax credit for early educators. Many also highlight the state’s Early Education and Care Staff Pilot Program, which provides early educators with immediate access to CCFA if they meet income eligibility criteria, as a highly successful program that should be expanded. This program not only supports current educators but may also attract more parents of young children into the sector’s workforce—although enticing new workers into low-paying jobs where they qualify for government benefits may not be as beneficial a long-term solution as helping new talent secure jobs that provide a living wage.

# RECOMMENDATIONS

# RECOMMENDATIONS

Acknowledging that the best way to strengthen early education and care in Massachusetts is through collective action, we offer the following recommendations for the sector as a whole. All stakeholders, levels of government, and types of funders can play a role in advancing these recommendations, and strong coordination of efforts will be key for the sector's continued progress.

## **1. Determine the feasibility of creating a foundation budget for early education and care providers.**

The sector has been working to reach a consensus on the true cost of delivering high-quality early education and care to children of different age groups across different types of providers. To this end, there is a need for a unified formula—a foundation budget—that takes into account a provider's enrolled population and calculates the true cost of education and care for that population. Once this formula is well-established and widely agreed-upon, the state could begin to tie key funding streams to the calculated cost for each provider. For instance, the formula may calculate how much funding a specific family child care provider should receive through C3, CCFA, and tuition payments, or how much a specific Head Start provider should receive through Head Start, C3, and CCFA. In essence, a foundation budget would serve as the mechanism through which a unified funding model is achieved.

The C3 program, as the funding stream that the state has the most flexibility to design, could serve as the main variable in covering costs. Its allocation for each provider could be linked to the gap between other funding streams and the true cost of education and care. To bridge this gap, the state could commit to increasing its investment in C3 incrementally over a set period of time—as was done for Chapter 70 funding through the Student Opportunity Act of 2019.

The passage of the Student Opportunity Act was a direct result of the recommendations made by the state's Foundation Budget Review Commission,<sup>74</sup> established in 2014, regarding improvements to the Chapter 70 foundation budget formula. Given the success of this effort, a similar approach is warranted to study the feasibility of a foundation budget for early education and care. The launch of the state's Early Education and Child Care Task Force, established by Executive Order 625, presents a timely opportunity to begin this study, provided there is significant input from the field to inform the Task Force's deliberations.

## **2. Invest more in preschool partnerships, for instance by incentivizing local investment with matching dollars through the Commonwealth Preschool Partnership Initiative (CPPI).**

In recent years, municipal investments in preschool have typically taken the form of funding for school district pre-kindergarten programs. While valuable, the sector would benefit from increased municipal investment in partnerships that leverage the mixed delivery system to expand preschool access and quality. To that end, the state could offer matching dollars through CPPI as an incentive for municipal investment. By expanding the slate of municipalities benefitting from CPPI funding, which comes with requirements such as conducting a community needs assessment, this incentive could promote effective partnership practices. Apart from this incentive, the state should continue to ensure that CPPI funding is available to municipalities that might otherwise struggle to invest in preschool access and quality, such as the Gateway Cities.

### **3. Ensure that early educator career pathways support opportunities for career advancement outside of higher education.**

In building out a career ladder for early educators, the state is rightfully focused on outlining pathways for advancement both within and outside of higher education. This approach is critical to ensure equitable opportunities for career growth. Despite important efforts by the state to make higher education more affordable for current and aspiring early educators—through scholarships and loan forgiveness for early educators as well as the MassEducate program that offers free community college—higher education remains inaccessible to many due to schedule constraints, unfamiliarity with academic settings, and other barriers to entry. Offering additional means of acquiring necessary skills, knowledge, and credentials—for example, apprenticeships and other work-based learning programs—supports the diverse learning styles of the workforce and expands access to career training and advancement. Further, career pathways should recognize skills developed through relevant work experience to avoid prescribing redundant training for educators seeking a new credential.

### **4. Create a centralized, user-friendly online platform for providers to access information on and apply for available funding.**

Providers report delays in learning about available funding and difficulty navigating COMMBUYS, the state's e-procurement platform, indicating a need for a more accessible, user-friendly "one stop shop" for information on available funding streams. EEC could create a grant administration platform that providers can use to learn about and apply for available funding, similar to the Grants for Education Management System (GEM\$) used by the Massachusetts Department of Elementary and Secondary Education.<sup>75</sup> A centralized grant administration platform would also facilitate data collection from providers, critical for assessing the impacts of key funding streams, while enabling reporting processes to be streamlined. To expand access to funding, the platform should provide information in multiple languages and send timely email notifications and/or text alerts to providers about grant opportunities and application deadlines. EEC's licensors could be helpful in sharing the platform with family child care providers, many of whom cite their licensor as a key source of information on available funding.

### **5. Expand funding to subsidize the cost of early education and care for the children of early educators.**

Stakeholders applaud the state's Early Education and Care Staff Pilot Program, which prioritizes income-eligible early education and care staff to receive child care subsidies, for its success in attracting and retaining early educators with young children. However, this program is only available to staff whose incomes are low enough to qualify for subsidies. Making the benefit more widely available—for example, by further raising the income eligibility threshold—would help to attract and retain more low- and middle-income workers to the sector while mitigating the "benefits cliff effect" for staff (i.e., when a salary increase makes an employee no longer eligible for a benefit that provided more value than the salary increase).

# CONCLUSION



## CONCLUSION

The early education and care sector in Massachusetts has much to celebrate. Increased investment in recent years, including a momentous commitment by the state to fund Commonwealth Cares for Children (C3) operational grants for providers, has chipped away at many of the sector's financial challenges, resulting in more seats for children and higher compensation for staff. Collaboration among stakeholders and providers is also on the rise, facilitating more coordinated use of resources across the sector. Progress has been substantial.

This moment presents an incredible opportunity for Massachusetts to create a nation-leading, coordinated funding model that leverages the mixed delivery system to provide high-quality, affordable early education and care to all families. Careful design of funding streams will be important to ensure providers can braid together multiple streams to cover the true cost of delivering education and care, including fair compensation for staff. Expanding opportunities for professional advancement through continued investment in career pathways will also be important to help providers attract and retain staff.

In moving toward a coordinated funding model, the sector must build upon the successes and challenges of the past four years to optimize current funding streams and thereby create a roadmap toward increased future investment. By engaging all stakeholders and leveraging the government's heightened role in organizing and supporting the sector, Massachusetts can make great strides in supporting providers, families, and children across the state—and, in doing so, strengthen our economy and prepare our children for lifelong success.

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