



OPERATIONS GRANTS:

CRITICAL TO SUSTAINING AND GROWING THE CAPACITY OF MASSACHUSETTS' EARLY EDUCATION AND CARE SECTOR

Over the last year and a half, Massachusetts has supported more than 7,100 early education and care programs across the Commonwealth – including 4,500 family child care (FCC) providers and 2,600 center-based providers – with crucial direct-to-provider funding in the form of operations grants. These funds, distributed as [Commonwealth Cares for Children \(“C3”\) grants](#), have been highly effective: [data from more than 6,000 grant recipients](#) demonstrate the foundational role that operations grants have played - and will continue to play - in sustaining Massachusetts' early education and care sector.

Operations grants have stabilized the state's early education and care sector, enabled investments in quality and educator pay, and prevented program closures. They have also helped to hold tuition steady and avoid substantial increases for families. Notably, providers have also made clear that discontinuation of operations grant likely would lead to regression with respect to teacher compensation and ability to enroll children.

Current Landscape of the Massachusetts Early Education and Care (EEC) Sector

In Massachusetts, the early education and care sector continues to face serious challenges with respect to access to care. **Though the EEC sector has stabilized, many programs are still at risk of closure, especially those in higher SVI [1] communities: 751 providers (> 12% of all Massachusetts providers), inclusive of 556 Family Child Care (FCC) providers, reported that they would have to close if operations grants ceased.** Thirty-eight percent of providers who report that they would have to close without continued operations funding are in communities with the highest SVI.

Moreover, **programs remain unable to enroll at their full licensed capacity, resulting in families having reduced access to care. More than 1/3 of center-based providers are currently unable to enroll at their full licensed capacity.** If early education programs were enrolling at full capacity, the system could be serving between 10,000-15,000 more children in Massachusetts than it currently is.

Providers' inability to enroll at full capacity is primarily due to workforce staffing shortages. In Massachusetts, professionals in early education and care earn low wages, with the [midpoint salary for a center-based teacher](#) being \$21.13 per hour (a full-time equivalent of a gross salary of less than \$44,000 per year). Forty percent of Family Child Care (FCC) providers report earning less than \$30,000 per year, after subtracting all bills and expenses; 16% of FCCs report operating at a loss or using all of their earnings to cover expenses.[2] Low wages have contributed to a mass exodus of talent from the field of early education and care: [nearly 1/3 of educator positions](#) in Massachusetts have turned over in the past year, with the majority of those leaving their positions departing the sector entirely. Among the child care centers hiring for open educator positions, the average program is hiring for 3.6 positions.

[1] Social vulnerability, according to the Centers for Disease Control and Prevention (CDC), refers to “the ability to survive and thrive when confronted by external stresses on human health.” Such stresses include poverty and other adverse conditions. The degree of social vulnerability children experience is based on a model constructed by the CDC called the Social Vulnerability Index (SVI).

[2] The child care sector is a market of private businesses that, on the whole, receives very little public funding. As a result, the only mechanism that providers have to offset increased expenses (such as rising labor costs) is to raise tuition. Because of inability to raise tuition due to ceilings on what families can afford, educator pay remains low.

Operations grants have helped address major fault lines in a highly volatile sector. Making these grants a permanent, adequately funded vehicle for early education and care in Massachusetts is required if we are (a) to protect against regressing backward and (b) to embark on a path toward improving access, increasing teacher compensation, and growing system capacity.

Massachusetts' Commonwealth Cares for Children (C3) Stabilization Grant Program Demonstrates that Operations Grants are the Future of Child Care Financing

[Evidence from the C3 grant program](#) demonstrates the critical role that direct-to-provider foundational funding plays not simply for sector stabilization, but also for achieving immediate and long-term goals concerning: (a) increased access to early education and care, particularly for lower income families; (b) increased compensation for early educators; and (c) affordability of care for families.

I. Impact of the C3 Grant Program on Sector Stabilization

- **Operations grants have helped to promote equity in access and quality of care.** As noted above, operations grants have helped protect against program closures, especially in higher SVI communities. They have also ensured that programs serving lower income children and/or operating in lower income communities receive enhanced funding levels. While all licensed early education and care providers are eligible to receive a base amount of funding, programs located in higher SVI communities and/or that provide services to significant numbers of low-income children receive additional funds on top of that base amount, through an equity adjustment. Data from the C3 grant program demonstrate that the equity adjustment has been successful in prioritizing programs serving higher needs populations:
 - **Providers serving children receiving a child care subsidy have received 64% of all C3 grant funds.**
 - 71% of all grant funds resulting from equity adjustment went to providers serving children with child care subsidies.
 - As noted above, **38% of providers who report that they would have to close without continued operations funding are in communities with the highest SVI.**
- **Operations grants have been critical to providers' ability to increase educator compensation.** Indeed, as a result of receiving grants funds, **83% of center-based providers and 41% of FCC providers allocated grants funds to worker compensation.**
- **Operations grants have helped prevent escalating tuition prices shouldered by families.** With the help of C3 funds, **more than 25% of all providers were able to defer planned tuition increases.** Notably, 1 in 8 providers report that, if the operations grant program is continued at comparable funding levels, they would consider reducing tuition

II. Direct-to-Provider Operations Grants: Critical to Sector Sustainability and Growth

Survey response data from the C3 grant program demonstrates not only how impactful direct-to-provider grant funding has been to course correcting in the reverberating wake of the pandemic; it also makes clear that continuing and adequately funding operations grants will be essential to sustaining progress made and advancing toward goals concerning family access and affordability and increased teacher compensation. **If operations grants were to cease,**

- **751 providers (> 12% of all Massachusetts providers), inclusive of 556 Family Child Care providers, reported that they would have to close.**
- **65% of all programs would reduce compensation or defer planned compensation improvements.**
- Salary stagnation and/or reduction can be expected to exacerbate workforce challenges; leading to staffing shortages that undermine provider ability to enroll at full capacity.
- **61% of providers would have to increase tuition rates.**

Conversely, if operations grants are continued and funded at comparable levels, data suggest that the sector could see improvement in teacher compensation and family access: 81% of center-based providers and 52% of FCCs report that, if grant funds are continued at comparable rates, they would increase educator salaries. More competitive wages would bolster enrollment levels, improving family access to care. Moreover, as noted above, 1 in 8 providers reported that they would consider reducing tuition.

While direct-to-provider operations grants were designed for stabilization, they have proved to be highly impactful and essential to the field's long-term viability. Both early education and care providers and the Massachusetts Department of Early Education and Care have made clear that operations grants must be the future of child care financing, if Massachusetts aims to achieve goals concerning workforce compensation, family access and affordability, and quality of care. **The success of the C3 grant program suggests that direct-to-program operations funding is a financing vehicle that, should it be made permanent and fulsomely funded, could achieve: expanded access for families, particularly for lower-income communities; enhanced parent affordability; and increased workforce compensation across the sector.**