



COMMONWEALTH CARES FOR CHILDREN (C3) OPERATIONS GRANTS: CRITICAL TO SUSTAINING AND GROWING THE CAPACITY OF MASSACHUSETTS' EARLY EDUCATION AND CARE SECTOR

Since July 2021, Massachusetts has supported **nearly 7,000 early education and care programs** across the Commonwealth. These funds, distributed as **Commonwealth Cares for Children (“C3”) grants**, have been highly effective: a recent survey from the Department of Early Education and Care (EEC) with **data from 6,864 grant recipients** demonstrates the foundational role that operations grants have played - and will continue to play - in sustaining Massachusetts' early education and care sector.

Originally funded through federal COVID-19 relief funds, the C3 program is now completely funded with Massachusetts state funds. Most recently, in FY24, the Commonwealth committed \$475 million to fund the program.

Operations grants have stabilized the state's early education and care sector, enabled investments in quality and educator pay, and prevented program closures. These grants have also helped hold tuition steady and even reduce costs for families. Indeed, direct-to-provider operations grants are an incredibly effective mechanism to enable early education and care providers to raise salaries without having to pass those costs onto families. Notably, providers also make it 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 has made significant strides in recent years including valuable increases in teacher salaries and significant increases in licensed capacity, which now exceed pre-COVID-19 levels.

Though the EEC sector has stabilized, many programs are still at risk of closure, especially those in higher SVI [1] communities: 1,161 providers (14 percent of all Massachusetts providers) reported that they would have to close if operations grants ceased. **If these programs close, it is estimated that 20,000 licensed child care seats would be lost. Of this, roughly 14,000 would be seats supported by public child care financial assistance.**

C3 has significantly impacted the capacity of the sector. On average, all providers are now able to enroll 85 percent of their licensed capacity. Center-based providers are now enrolling 92 percent of their licensed seats, up from 80 percent when the C3 program began. However, 1/3 of center-based providers are still unable to enroll at their full licensed capacity.

Providers' inability to enroll at full capacity is primarily due to staffing shortages. The root cause of this workforce instability is low salaries. Despite significant improvements in average wages since the introduction of C3, in Massachusetts, **the midpoint salary for a center-based teacher is \$22.09 per hour (a full-time equivalent of a gross salary of \$46,000 per year)**. Low wages have contributed to a mass exodus of talent from the field of early education and care: more than 1 in 4 educator positions in Massachusetts have turned over in the past year, with the majority of those leaving their positions departing the sector entirely.[2]

Massachusetts' Commonwealth Cares for Children (C3) Operations Grant Program Has Improved Access and Increased Educator Wages, While Holding Tuition Stable for Families.

Evidence from the C3 grant program demonstrates the critical role that direct-to-provider foundational funding plays when it comes to 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.

Operations grants have helped to promote equity in access to 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:

- 10,000 more children receiving state financial assistance are receiving care full time since the C3 program was introduced.
- As noted above, 14,000 seats in programs accepting state financial assistance would be lost due to programs closing, if the C3 program was discontinued.

Operations grants have been critical to providers' ability to increase educator compensation.

More than 66 percent of all C3 operations grant funds have gone to workforce compensation and supports. Among center-based care providers, 74 percent of C3 grant funds have been spent on payroll and benefits^[3]; Family Child Care (FCC) providers have spent 30 percent of grant funds on payroll and benefits. C3 grants have been critical in the \$3/hour average teacher wage increases since the program began.

Operations grants have helped improve affordability for families.

- 77 percent of programs report that C3 grants have positively impacted affordability for families.
- With the help of C3 funds, half of providers were able to defer planned tuition increases.
- Notably, 15 percent of centers and 25 percent of FCCs have reduced tuition for families due to C3.

C3 operations grants are impacting quality of early childhood education for children.

The vast majority of programs accepting C3 report taking steps that are associated with higher quality early education for children, including hiring additional staff (64 percent of center-based programs and 28 percent of FCCs) and reducing classroom or group adult to child ratios (16 percent of center-based program and 5 percent of FCCs).

Continuation of Direct-to-Provider Operations Grants is Critical to Sector Sustainability

Survey response data from the C3 grant program 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:

- 1,161 providers (14 percent of all Massachusetts providers) reported that they would have to close; 20% report they would have to close at least one classroom.
- 63 percent of programs reported that they would defer planned compensation improvements.
- 55 percent of center-based programs and 53 percent of FCCs reported that they would reduce educator compensation. 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.
- 66 percent of center-based care programs and 57 percent of FCCs would have to increase tuition rates.

Direct-to-Provider Operations Grants Are the Future of Child Care Financing

While direct-to-provider operations grants were initially 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.



[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] Commonwealth of Massachusetts Department of Early Education and Care Board of Early Education & Care, January Board Meeting, January 10, 2024 available at <https://www.mass.gov/doc/january-board-meeting-slides/download>

[3] This includes a combination of covering existing payroll and benefits (60 percent) and new investments in salaries, benefits, and bonuses (14 percent)