MTF
Massachusetts
Taxpayers Foundation

333 Washington Street | Suite 853 | Boston, MA 02108 | 617.720.1000
www.masstaxpayers.com

In Brief

Innovative Federal Relief Spending on Child Care: How Massachusetts Stacks Up

Overview

MTF's recent publication, Innovative Federal Relief Spending on Child Care: How Massachusetts Stacks Up, provides an update to how Massachusetts has spent their federal relief dollars to date and also examines how other states and communities have used those same resources to support their own child care systems. Much like in Massachusetts, efforts in other jurisdictions have mostly focused on stabilizing existing child care programs. However, a few notable states and localities stand out for having potential policy ideas for the state to consider. This two page brief provides a quick update to what's happening in Massachusetts and shares a high-level overview of some of the most notable and relevant examples within our report (details on the full list of jurisdictions analyzed can be found in the full paper posted to MTF's website).

What's Happening in Massachusetts?

CRRSA provided Massachusetts with $131 million in supplemental Discretionary CCDF while ARPA provided $196 million for the same purposes. In addition, the Child Care Stabilization Fund allocated a further $314 million for Massachusetts to spend directly on child care. All in all, the state received $641 million specifically for child care from both bills.

The Department of Early Education and Care (EEC) used the Stabilization Funds to create a grant program that assists providers with covering a portion of their operational costs. The program was originally slated to last 6 months, but was extended by supplementing Stabilization Funds with the $131 million in Discretionary CCDF from CRRSA. To date, the EEC has expended both of these funds, reaching 85% of all eligible providers in the state. An additional $250 million was allocated to the program in the FY 2023 budget and uses $49 million from ARPA CCDF, leaving approximately $147 million remaining. This will likely extend the program until the end of the calendar year.

MA Stabilization Grants: Outcomes

- Roughly 85% of all eligible providers in the state have received grants.
- Of the 453 programs that closed between July 2021 and February 2022, only seven were utilizing operational grants, compared to 446 that were not.
- 65% of surveyed providers receiving grants accept subsidies.
- 81% of GSA's and 42% of FCC's reported that they would have to reduce compensation or defer salary increases next year if they stopped receiving grants.
- More than half of GSA's an FCC's reported they'd have to increase tuition rates if they stopped receiving grants.

Fund Type	MA Allocation	Remaining Funds	Deadline to Obligate
Supplemental Discretionary CCDF (CRRSA)	$131 million	$0	September 30, 2022
Supplemental Discretionary CCDF (ARPA)	$196 million	$147 million	September 30, 2023
Stabilization Funds	$314 million	$0	September 30, 2022
Total	**$641 million**	**$147 million**	

What are Other Jurisdictions Doing?

Connecticut:

Connecticut allocated a small portion of their ARPA Discretionary CCDF for a financial and technical assistance program. So far, 200 providers have received grants and roughly 1,100 providers in technical assistance opportunities. Offered free through a local non-profit, the Women's Business Development Council, the business courses revolve around financial literacy as a business owner, creating business plans, marketing, branding, best practices for child enrollment, and staff recruitment and technology.

Maine

Maine used their Child Care Stabilization Funds to create a grant program that has reached roughly 95% of all eligible providers in the state. The grant formula focuses on short-term stabilization by incorporating a provider's licensed capacity and staffing numbers, but also includes unique elements by dedicating funds to longer-term improvements through incentives related to quality, expanded hours, and staff retention. For instance, in order to receive a $200 monthly staff bonus, providers had to enroll in the Maine Roads to Quality registry, a statewide professional development system.

New Mexico

While New Mexico allocated a majority of their Stabilization Funds to provider grants, the state also set aside $10 million of those funds for an innovative capital investment program, the Child Care Supply Building Grant. The grants are intended for existing providers to expand services and for employers to create or expand child care services for their employees. The New Mexico Early Childhood Education and Care Department anticipates that 800 additional child care slots will become available in the state as a result of this competitive grant program.

Ohio

Ohio dedicated all of their stabilization funds ($800 million) to provider grants. Their program has three phases, two of which have already been completed. Each phase has their own application periods, expense periods, and allowable expenses and includes multiple grant types – operating/new pandemic costs, workforce recruitment/retention, access development, mental health and workforce and family support. The third phase is slated to begin in August, 2022.

What Can Massachusetts Learn?

Coordinating with Business Development Programs to Invest in Early Educators

Like Connecticut, Massachusetts could use federal funds to coordinate with business development and literacy programs to help early educators gain essential business skills and promote financial sustainability. A similar two-pronged approach - grants plus technical assistance - already exists in Boston. The City has been running the Child Care Entrepreneur Fund since 2019. This could serve as a model for the state to consider.

Including Additional Incentives in the C3 Formula

Like Maine, as a part of their stabilization program Massachusetts could provide additional funding to providers that meet certain criteria based on longer-term policy goals. Incentivizing providers to offer non-standard hours could help meet child care demands for parents and guardians who work outside of the traditional 9am-5pm. In addition, providers could receive larger grant awards based on quality levels and/or engagement with the QRIS system in general. However, policymakers should consider how this may inadvertently disadvantage programs that need financial support in order to meet higher quality levels in the first place.

Balancing Targeted Policy and Efficiency

Although states like Maine and Ohio offer us a window into how stabilization grants can work to promote longer-term policy goals, it is important to take into account the complexity of those programs and their potential implications. Massachusetts's C3 program is likely simple for good reason – to lower administrative burden, increase take up rates, and disburse the money efficiently. While additional incentives deserve to be explored, policymakers should consider how those additions may impact a provider's access to these crucial funds.

Focusing on Capital Investments

As we saw in New Mexico, directing federal relief funds towards child care infrastructure investments and start-up costs that aspiring providers may not otherwise be able to cover is a smart investment. Although Massachusetts could direct a portion of its remaining ARPA dollars towards capital improvements, the state already has $70 million available for these purposes. Massachusetts could work to more aggressively spend down funds from those capital programs in order to boost supply and improve quality within the system.