



Massachusetts
Taxpayers Foundation

MTF Policy Call: Early Education and Care

Ashley White, Senior Researcher



Agenda

1. MTF Preview: Economic Impact of Insufficient Child Care
2. Child Care Funding 101
3. Early Education and Care Economic Review Commission
4. Budget Updates
5. What's Next for MA Child Care Policy?

MTF & Early Childhood Education

- MTF has long been interested in policy issues that have a profound impact on the state's economy, our employers, and workers
- Child care can be a tool for alleviating concerning demographic and workforce trends, especially as it pertains to women in the workforce
- Federal and state-level momentum surrounding the need for more affordable and accessible care makes this an appropriate time to provide in-depth analysis

A night view of a city skyline reflected in water, with a bridge in the foreground. The sky is a deep blue, and the city lights are glowing, reflecting on the water. The buildings are of various heights and colors, and the bridge is a dark structure with lights. The water is calm, and the reflections are clear.

Estimating Economic Impact of Inadequate Child Care in MA

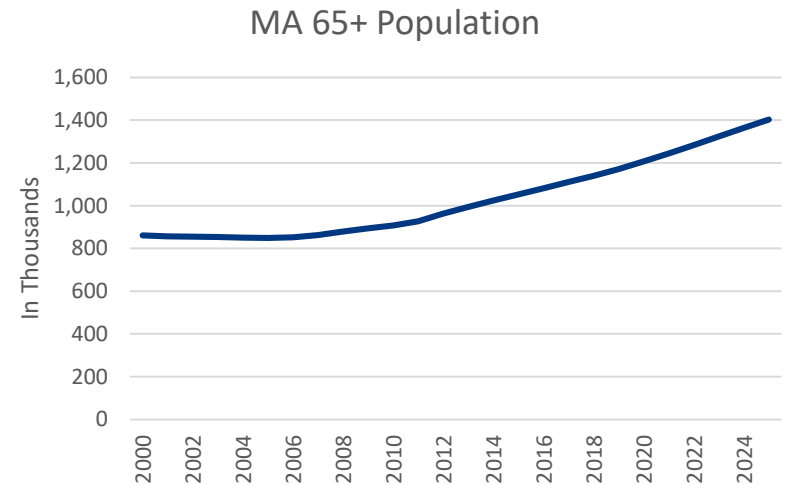
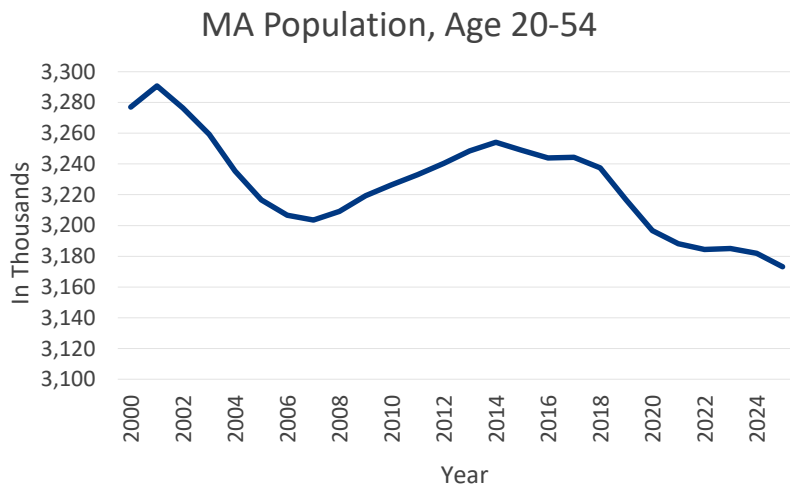
Child Care and The Economy

Child Care is a backbone of our economy

- Allows parents to enter and remain in the workforce
- Higher earnings means more spending in the economy, greater revenue for public investment
- Improves future educational and career outcomes of our children

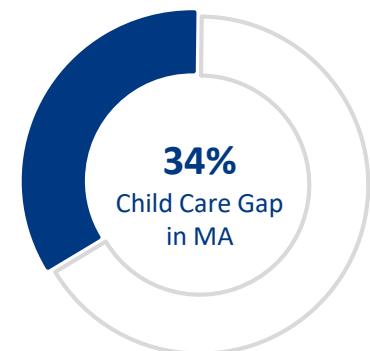
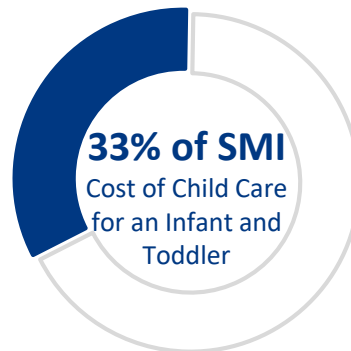
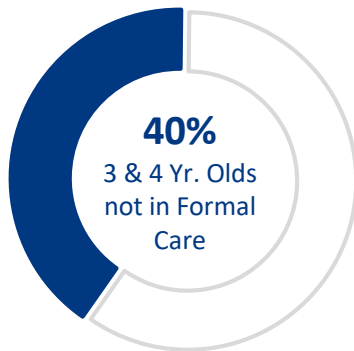
Why is Child Care So Important in MA?

- Concerning demographic trends threaten the viability of our future workforce
- Maximizing our workforce is essential to promoting economic opportunity for our businesses and families



Inadequate Child Care in MA

- Child Care can be a solution for our workforce needs but:
 - High costs and limited supply make it difficult for parents to obtain stable child care
 - Lack of child care prevents parents from maintaining stable employment, impacting their financial stability and employer revenues
- We know that insufficient child care impacts the economy, but by how much?



Economic Impact Framework

- Previous research to provides us with a framework for our estimate
- Survey results about how a lack of child care disrupts working parents with young children are applied to population estimates to come up with an approximate number for the economic impact

	ReadyNation	U.S. Chamber of Commerce	University of Nebraska
Result:	\$57 Billion <i>\$172 Per Capita</i>	\$19 Billion <i>\$261 Per Capita</i>	\$1.4 Billion <i>\$713 Per Capita</i>
Scope:	National	9 States	Nebraska
Key Differences:	Families with children < 3	Focused on employers only	Did not create their own parent survey

Our Estimates

Insufficient child care costs Massachusetts between \$2.6 billion and \$3 billion each year, impacting families, businesses, and tax revenues.

Costs to Families	\$1.6 billion - \$1.8 billion	in lost wages due to missing work or reducing work hours
Costs to Businesses	\$850 million - \$1.2 billion	in replacement/turnover costs for parents who miss work or leave the workforce altogether
Foregone Tax Revenue	\$175 million - \$200 million	in foregone income and sales tax revenue due to lower earnings

What's Next?

- The full economic impact report will be published sometime in April
- Next Steps for MTF Research
 - The current child care system and its inadequacies
 - Opportunities for improving the system
 - Altering existing system
 - Federal resources
 - Employer role



Early Ed Overview

EEC Funding Basics

EEC administers child care assistance through two main programs

Income Eligible Child Care

- ~30,000 Children

Entitlement Child Care: DCF/DTA Related Child Care

- ~18,000 Children

EEC's primary role is to:

- Provide funding for subsidy providers
- Licensing for all providers

Most federal funds for early education come from the Child Care and Development Fund*:

Child Care and Development Block Grant

- \$74 million in discretionary funds
- Supports subsidized child care for income eligible families

Child Care Entitlement to States

- \$75 million in mandatory/matching funds
- 70% must be spent on families engaged with TANF

TANF Transfer to CCDF

- \$91 Million
- States can transfer up to 30% of TANF funds to CCDF

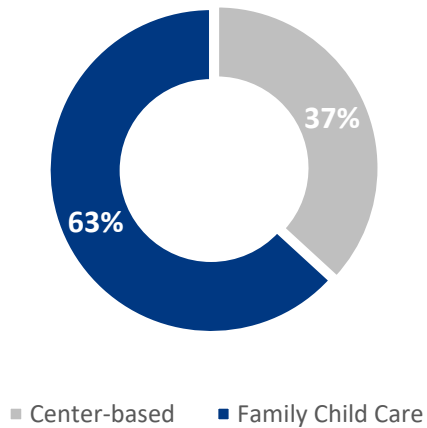


*The state also receives funds for Head Start and IDEA grants, but these funds go directly to localities and are overseen by DESE not EEC

MA Child Care System

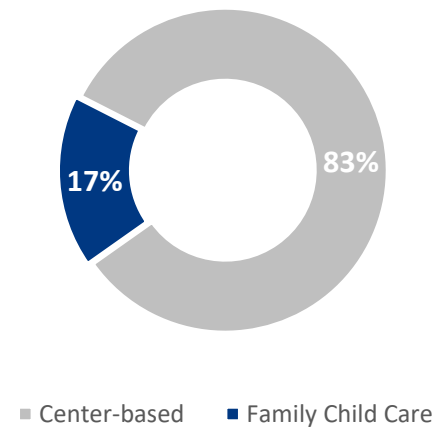
Roughly 7,500 licensed child care programs...

Program Distribution by Type



...represent approximately 221,000 seats

Capacity by Program Type



Federal COVID-19 Child Care Funds

Program	Amount	Appropriated	Use	Spending Timeline
CARES Act CCDBG	\$46	Yes	Reopening grants/parent fees	FY 2021
CRRSA CCDBG	\$131	Yes	Stabilization grants	FY 2022
CC Stabilization Grants	\$314	NA	Stabilization grants	FY 2022
ARPA CCDBG	\$196	No (Gov proposed)	Stabilization grants (Gov proposal)	FY 2023

\$ in millions



Child Care Stabilization Grants (C3)

Child Care Stabilization Funds

- A new source of flexible funds through ARPA, the purpose of these funds is to provide monthly grants to stabilize child care providers by covering a portion of their operational costs.
 - Grant amounts are determined by the C3 formula which factors in a providers licensed capacity, staffing numbers, and whether they serve from or operate within a disproportionately impacted community.
-

Things to know:

- Began in July of 2021
- \$400 - \$500 million annual cost
- EEC has committed to continuing C3 grants through FY 2022 by supplementing stabilization funds with:
 - \$131 million in CCDBG funds provided in earlier federal legislation
 - FY 2022 surplus appropriations as necessary
- Future of the program is a topic for the Economic Review Commission

A photograph of a city skyline at dusk. The sky is a deep blue with wispy clouds. The city buildings are illuminated with warm yellow and orange lights, which are reflected in the water in the foreground. A bridge is visible on the left side of the image. The text "Early Education & Care Economic Review Commission" is overlaid in white on the lower half of the image.

Early Education & Care Economic Review Commission

Commission Overview

- Established in 2020 to study the early education and care system in Massachusetts and make recommendations for improving and expanding equitable access
- Membership consists of legislators, business representatives, non-profit leaders, and child care advocates
- Hosted 10 public meetings beginning in April 2021 and concluding in February 2022 to compile feedback and hear public testimony



Commission Recommendations

- Total of 14 recommendations based in four focus areas:
 - Family Affordability & Access
 - System Infrastructure & Local Partnerships
 - Workforce, Compensation, Pipeline, & Advancement
 - Program Stabilization (C3)
- Recommendations were put into three priority categories:
 - Immediate
 - Short-term
 - Long-term
- Estimated total cost between \$976 million and \$1.6 billion

Immediate Recommendations

Recommendation	Estimated Cost
Extend C3 Grants through at least December of 2022	\$480M
Reimburse subsidy providers based on enrollment instead of attendance	\$4M - \$5M
Raise subsidy reimbursement rates and develop a model to determine the true cost of funding high quality care	\$100M - \$200M
Review subsidy regulations and policies and provide additional navigational and outreach support to families	\$6M - \$12M
Increase workforce compensation through program grants and rate increases (tied to recommendations 1-3)	TBD
Develop and implement a career ladder and competency-based credentialing system aligned to a compensation scale	TBD
Provide additional resources to EEC to support the management of new policies, programs, and initiatives	\$5M - \$15M
Total	\$600M - \$712M



Early Ed & the Budget

Child Care & The FY 2022 Supplemental Budget

Governor Proposal

Funding Section

- \$400 million to extend C3 grants through FY 2023
 - \$196.2 million from ARPA CCDBG

Policy Section

- Includes language to expand entitlement DTA/DCF child care in FY 2022 and FY 2023

House/SWM Proposal

Funding Section

- \$0 for EEC

Policy Section

- Contains same language expanding entitlement child care



Child Care & the FY 2023 Budget

Key takeaways from the Governor's proposal:

- Nothing related to C3 or other commission recommendations
- Funding included to implement sliding fee scale
- \$10 million to expand eligibility for DTA and DCF child care
- Proposes doubling the dependent care credit for single and household filers
 - Maximum of \$480 for single filers with one dependent; \$960 for those with two or more dependents
 - Maximum of \$360 for household filers with one dependent; \$720 for those with two or more dependents



What's Next?

- Does the Commission's report lead to a legislative proposal this session?
 - What is the scope of any legislation that might happen?
- If, when, and how are C3 grants extended?
 - FY 2022 Supp
 - FY 2023 Budget
- What do the Feds do?
 - MA was set to receive \$1.3 billion over three years through Build Back Better

Thank You!

For additional information on this presentation:

Ashley White, Senior Policy Researcher

awhite@masstaxpayers.org

For additional information on MTF:

Debbie Carroll, Director of Membership

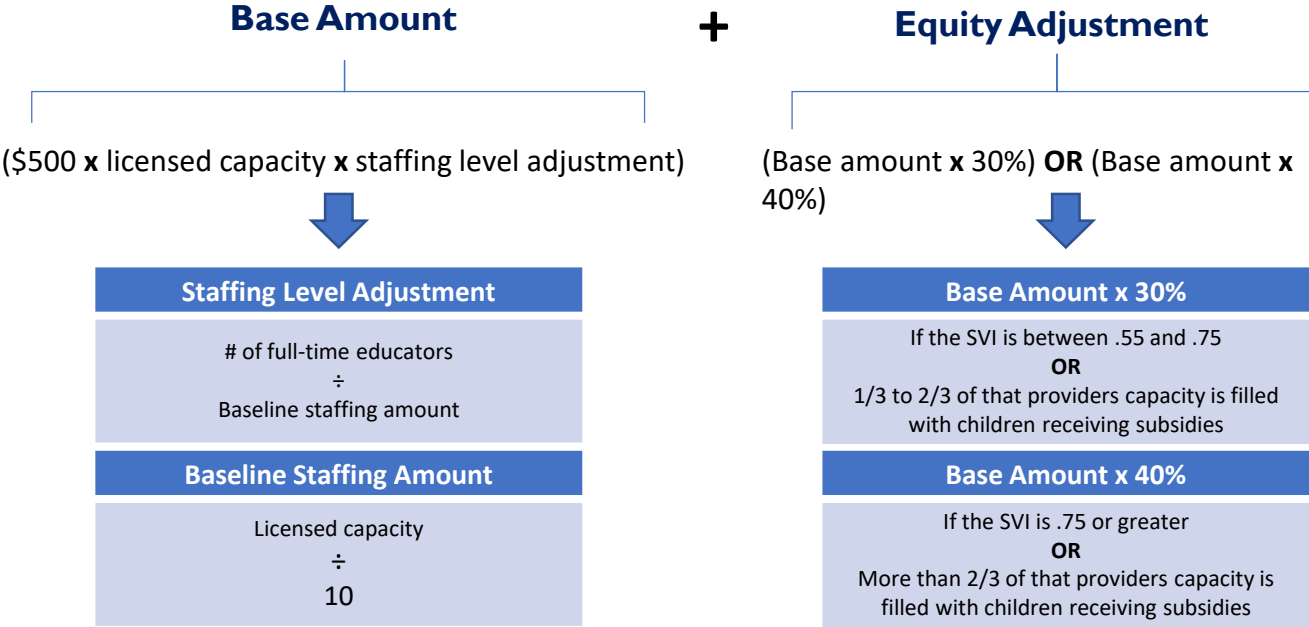
dcarroll@masstaxpayers.org





Appendix

Commonwealth Care for Children (C3) Formula



Key

- SVI is the Social Vulnerability Index
- Staffing level adjustments cannot decrease the base amount
- The baseline staffing amount is based on standard child to teacher ratios of 10:1



C3 Spending to Date

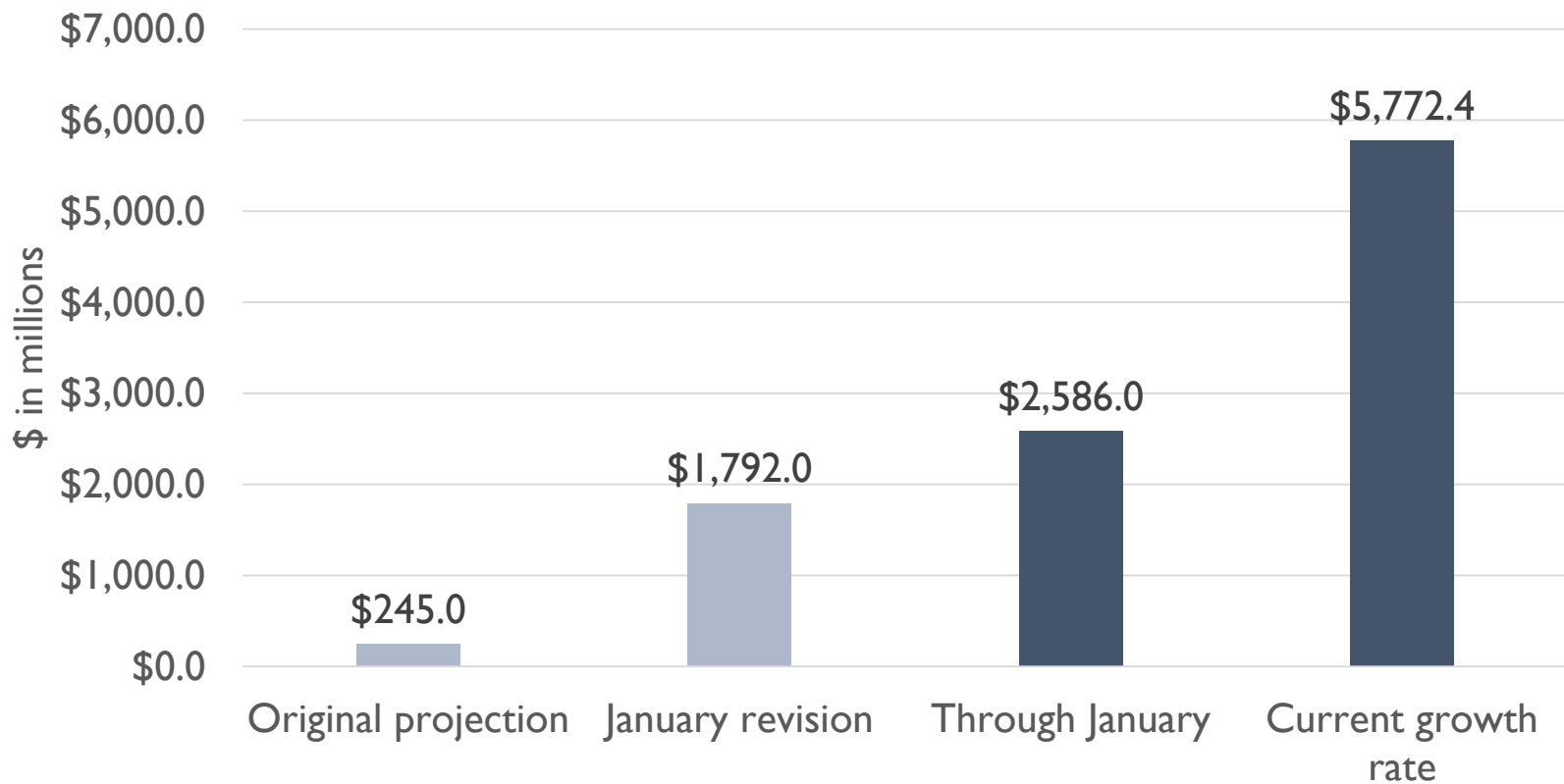
	Monthly Average	Annualized
July - September	\$43.3	\$520.2
October - December	\$30.1	\$360.8
First six months	\$37	\$440.5

\$ in millions



FY 2022 Tax Collections

FY 2022 Tax Collections v. FY 2021



FY 2022 Supplemental Budget: Resources

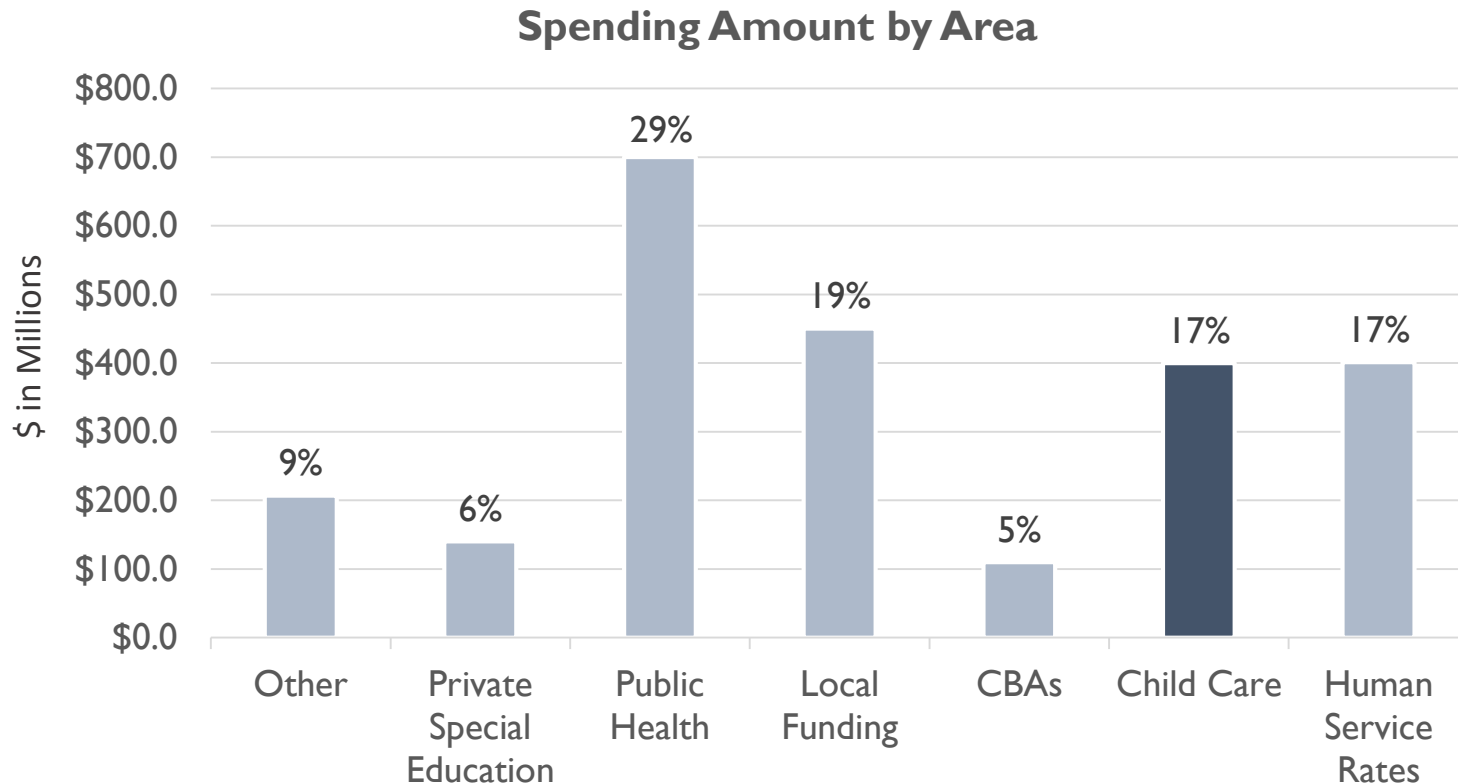
- Governor Baker's supplemental budget uses a mix of surplus tax revenues and ARPA related resources, including unappropriated Child Care and Development Block Grant discretionary funds.

FY 2022 Supplemental Sources	
Surplus tax revenues	\$1,630.9
ARPA Home & Community-based Waiver reimbursements	\$346.1
FEMA reimbursement for COVID costs	\$260.8
ARPA Child Care Development Block Grant supplement	\$196.2
Total resources	\$2,434.0

\$ in millions

Gov's FY 2022 Supplemental Budget: Spending

- Funding for child care is roughly 17% of the supplemental budget



Child Care in Gov FY2023 Budget

Program	FY 2021	FY 2022 GAA	FY 2022 Current	FY 2023 Gov
Income Eligible Subsidies	\$383.6	\$298.7	\$292.6	\$368.1
DTA and DCF Childcare	\$263.6	\$358.9	\$359.1	\$325.5
Parent Fee Assistance	\$0.0	\$9.0	\$9.0	\$0.0
Workforce Supports	\$20.2	\$20.0	\$120.9	\$0.0
Head Start	\$15.0	\$15.0	\$15.0	\$15.0
Other Early Education	\$108.1	\$117.5	\$122.9	\$111.6
Total	\$790.4	\$819.1	\$919.5	\$820.3

Numbers in Millions