

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

### Introduction

Over the last two years, the child care industry has been disproportionately impacted by the pandemic. Child care closures, labor shortages, and changing workforce patterns have upended a system that was already in crisis due to high costs and limited access. To help address these challenges, states and localities received an unprecedented amount of federal dollars to help the industry recover. Investments were made through new and existing federal programs such as the Child Care and Development Fund (CCDF), the Child Care Stabilization Fund, and the Fiscal Recovery Fund (FRF).

MTF published a brief in December that provided an overview of the various federal relief funds available for child care in Massachusetts and their use to date. This paper provides an update on what is happening in Massachusetts and also examines how other states and communities have used federal resources to support their child care systems. The purpose of this research was to compare Massachusetts to other jurisdictions in its use of federal relief funds for transformational child care investments. We found that while there are innovative components to various state and local initiatives, there has not been extensive systems change. 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 novel policy ideas. This report highlights those relevant examples for policymakers in Massachusetts to consider as they begin reforming the state's early education system.

### A NOTE ON METHODOLOGY

The timing of reporting requirements for each federal relief package made it difficult to find up-to-date information. For example, CRRSA required states to submit their intentions for the funds 60 days from its enactment, but final spending objectives are not due until Fall, 2022 – almost two years after the original passage of the bill. As a result, our research below reflects data pulled from multiple sources – federal reports, state websites, and databases from organizations – but primarily comes from conversations with administrators on the ground within these jurisdictions. Therefore, the examples outlined below are not meant to be an exhaustive list of innovative child care spending, but are based on their relevance to Massachusetts and the data and resources available to us.

## Background

Child Care funding was a key priority of three major federal COVID recovery bills, but this report focuses on the two most recent: the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) and the American Rescue Plan Act (ARPA).<sup>1</sup> Both packages used existing financial infrastructure by supplementing states' Discretionary CCDF. CRRSA provided \$10 billion for these purposes while ARPA included \$15 billion.<sup>2</sup> For perspective, in 2019 the federal government supplied roughly \$4.8 billion to states for Discretionary CCDF making CRRSA and ARPA funds five times more than annual pre-pandemic spending. Federal requirements for supplemental Discretionary CCDF largely mirror existing program requirements, but ARPA also created a new \$24 billion investment, the Child Care Stabilization Fund.<sup>3,4</sup> Flexible in nature, these funds were designed to provide child care programs with grants to cover a portion of their operational costs and help stabilize the system during the pandemic. The Administration of Children and Families (ACF) set forth broad eligibility recommendations so that all child care providers, not just those involved with each states' subsidy system, could receive funding.

*Table 1. CRRSA and ARPA Child Care Funds*

Legislation	Total Bill	Total Discretionary CCDF	Total Stabilization Funds
<b>CRRSA</b>	\$868 billion	\$10 billion	-
<b>ARPA</b>	\$1.8 trillion	\$15 billion	\$24 billion
<b>Total</b>	\$2.7 trillion	\$25 billion	\$24 billion

In addition to child care-related support, ARPA also provided billions of dollars in Fiscal Recovery Funds (FRF) to be used for a variety of purposes intended to promote an equitable economic recovery. ARPA created state and local FRF, each with their own allowable uses, one of which is supporting the child care industry.<sup>5</sup> In total, ARPA included \$350 billion divided amongst states (\$195.3 billion), counties (\$65 billion), and municipalities (\$45.6 billion).<sup>6</sup>

## Massachusetts Child Care Spending Update

Massachusetts received \$131 million in supplemental Discretionary CCDF through CRRSA 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. This section summarizes how Massachusetts has spent these funds, providing a point of comparison as we examine interesting approaches in other jurisdictions.

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<sup>1</sup> For more information on the child care funds for Massachusetts within the CARES Act, see MTF's [earlier work](#).

<sup>2</sup> ARPA also included an additional \$3.5 billion for mandatory and matching funds, but is excluded from this figure due to their strict spending requirements.

<sup>3</sup> For CRRSA and ARPA supplemental Discretionary CCDF there is no minimum spending requirement for quality activities or direct services. In ARPA there is a limited income eligibility exemption for essential workers in response to COVID-19, and the administrative cost limit (5% for states) still applied but to the aggregate amount of regular and ARPA CCDF Discretionary supplemental funds.

<sup>4</sup> For more information on federal regulations for COVID-19 relief dollars, see MTF's report: [Federal Relief Funds for Child Care: What it Means for MA](#).

<sup>5</sup> For details on specific allowable uses under Fiscal Recovery Funds see MTF's [report](#) on the U.S. Treasury's guidance.

**Table 2. MA Child Care Funds**

<b>Fund Type</b>	<b>MA Allocation</b>	<b>Remaining Funds</b>	<b>Deadline to Obligate</b>
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
<b>Total</b>	<b>\$641 million</b>	<b>\$147 million</b>	

*MA Supplemental Discretionary CCDF*

Funds from CRRSA were appropriated by the state in a supplemental spending bill in July 2021 and have since played a critical role in continuing the state’s child care stabilization grants (see section below). The \$196 million in supplemental Discretionary CCDF awarded to Massachusetts through ARPA has not been fully appropriated. Governor Baker proposed using the entire sum in an FY 2022 supplemental budget to extend child care stabilization grants through FY 2023, but the proposal did not make it into the final bill. The final FY 2023 budget includes \$250 million to extend stabilization grants through at least the end of calendar year 2022 and uses \$49 million from ARPA Discretionary CCDF to do so, leaving approximately \$147 million remaining.<sup>7</sup>

As we near 2023, policymakers need to be mindful of federal deadlines to obligate and liquidate these funds. States must obligate supplemental Discretionary CCDF dollars by September 30, 2023 and liquidate them by September 30, 2024. Any funds that cannot be obligated by the 2023 deadline may be recaptured by the federal government. It would be wise for the state to obligate these funds in totality in the near term.

**Table 3. Discretionary CCDF: Pre-pandemic vs. ARPA and CRRSA**

<b>Funding Level</b>	<b>Discretionary CCDF (pre-pandemic)</b>	<b>Discretionary CCDF (ARPA &amp; CRRSA)</b>
Federal	\$4.8 billion	\$25 billion
MA	\$65 million	\$327 million

*MA Child Care Stabilization Funds*

Child care Stabilization Funds are not subject to legislative control and so unlike the supplemental Discretionary CCDF, did not need to be appropriated in previous budget bills. As a result, the Department of Early Education (EEC) made quick use of these funds, announcing their plans in June 2021 for a child care stabilization grant program, roughly three months after ARPA was passed. Grant amounts are determined by the Commonwealth Cares for Children (C3) formula which considers a provider’s capacity and staffing costs, and includes an equity adjustment for providers serving vulnerable communities and children.<sup>8</sup> The program was originally intended to

<sup>7</sup> The MA legislature also included \$150 million for C3 grants in an economic development bill. However, as of the end of formal session that bill had not been finalized.

<sup>8</sup> More information on the Commonwealth Cares for Children formula can be found [here](#).

last six months but was extended through June 2022 by supplementing Stabilization Funds with Discretionary CCDF dollars from CRRSA.

To date, the EEC has expended all of their Stabilization Funds, reaching 85% of all eligible providers in the state. The program's annual cost was approximately \$445 million, equating to a monthly run rate of roughly \$37 million. As is noted above, the program will continue through at least December 2022 thanks to investments in the FY 2023 budget. Data from the EEC indicates that the grants are preventing closures and keeping tuition costs down. Of the 453 programs that closed between July 2021 and February 2022, only seven were utilizing operational grants, compared to 446 that were not. Additionally, in a recent EEC survey of providers participating in the program, more than half said they would have to increase tuition rates if the grant program was terminated.

### *MA Fiscal Recovery Funds*

Massachusetts received \$5.3 billion in state FRF. Of that total, \$400 million was immediately distributed for Covid-19 remediation purposes, leaving roughly \$4.9 billion available for appropriation. In December of 2020, the House and Senate passed their first ARPA spending bill, appropriating \$2.55 billion for health care, workforce supports, housing, infrastructure, economic development, and other critical recovery needs. Investments in education were also included, though no substantial allotments were dedicated to early education and care. The state has \$2.3 billion in FRF still to be appropriated.

Massachusetts localities received an additional \$3 billion in local FRF. Data on how they have spent those funds is not comprehensive or widely available, but we do include two innovative examples from Somerville and Boston later in this paper.

### **CRRSA & ARPA: Innovative Early Childhood Education Spending**

The unprecedented amount of federal relief funds awarded to states and localities allows us to examine how various jurisdictions are investing these funds to solve the same child care issues faced in Massachusetts. Although CRRSA funds were released first, many states have used their federal relief funds interchangeably. The following section shares how various states and cities have used a mix of those funds for innovative early education initiatives and programs.

Discussed below are initiatives from Connecticut, New Mexico, Maine, Ohio, Iowa, and two communities within Massachusetts - Boston and Somerville. These jurisdictions were selected based on their unique investments to support their child care systems and because their initiatives incorporated elements that are not currently part of the approach at the state level in Massachusetts. Details on state's stabilization programs are included when their design is relevant to Massachusetts, otherwise the focus is on new program initiatives. For the examples highlighted below, we explore some of what each state or locality is doing with their funds, make some notable comparisons to Massachusetts, and outline considerations for the state as it determines how to best use available federal and state resources to make necessary changes to its early education system.

*Table 4. Child Care Relief Funds by State*

State	Discretionary CCDF (CRRSAA +ARPA)	Stabilization (ARPA)	Spent on Child Care	Total
MA	\$327M	\$314M	\$0	\$641M
CT	\$177M	\$170M	\$8M	\$355M
NM	\$205M	\$197M	\$0	\$402M
ME	\$76M	\$73M	\$10M	\$159M
OH	\$834M	\$800M	\$0	\$1.6B
IA	\$237M	\$228M	\$32M	\$497M

### *Connecticut*

#### *What Connecticut is Doing*

Connecticut received \$106 million in supplemental Discretionary CCDF from ARPA, the bulk of which has been appropriated and disbursed by the Connecticut Office of Early Childhood (OEC).<sup>9</sup> A portion of these funds have been used to expand access to child care subsidies and to implement a new grant and technical assistance program in partnership with the Women’s Business Development Council (WBDC).

\$51 million of the \$106 million was obligated to Care 4 Kids, Connecticut’s statewide child care subsidy program to increase eligibility and serve more families in need. A family is now eligible for Care 4 Kids if they fall below 60% of the State Median Income (SMI).<sup>10</sup> Eligibility was further expanded to include those parents or guardians who are enrolled in a higher education, adult education, or workforce program. This is a departure from past policy, as historically only those enrolled in the state's workforce development program and met income requirements were eligible to receive Care 4 Kids child care subsidies.

In 2020, the OEC, in recognition that most child care providers are women and small business owners, partnered with the WBDC to offer \$3.75 million in relief grants and technical assistance to early childhood providers. To date, about 200 providers have participated in the grant program and roughly 1,100 providers have participated in technical assistance opportunities. Offered free of charge through the WBDC, 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. By honing these skills, providers will be better equipped to develop successful and sustainable operations.

#### *Comparisons to Massachusetts*

- Families at or below 60% of the SMI are eligible for subsidies in Connecticut, while families in Massachusetts must not exceed 50% of the SMI to begin receiving assistance.

<sup>9</sup> This is in addition to \$170 million in Stabilization Funds which Connecticut received through ARPA and which was primarily dispersed as two rounds of direct payments to child care centers and providers, much like the MA C3 program. For the purpose of this report, we will highlight how CT has used funds outside of their stabilization program.

<sup>10</sup> Previously, Connecticut families were eligible if their income fell below 49% of SMI.

Both Massachusetts and Connecticut terminate subsidy services when families exceed 85% of the SMI.

- Connecticut allocated a small portion of their ARPA Discretionary CCDF for their financial and technical assistance program with the WBDC, while Massachusetts appropriated \$49 million in ARPA Discretionary CCDF to solely support the continuation of C3 grants for providers.<sup>11</sup>

*Table 5. Income Eligibility: Massachusetts vs. Connecticut*

	SMI	Eligible	Income Threshold	Ineligible	Income Threshold
MA	\$131,252	Income < 50% SMI	\$65,626	Income > 85% SMI	\$111,564
CT	\$125,087	Income < 60% SMI	\$75,052	Income > 85% SMI	\$106,323

**Note:** This information is based off of the annual State Median Income (SMI) for a family of 4.

*Considerations for Massachusetts*

- **Expanding Subsidy Eligibility.** When considering subsidy eligibility expansion using federal relief dollars there is a balance between providing immediate services to more families, and the reality that funds will eventually expire. One other thing to consider before expanding access – either with federal relief dollars or budgeted state funds - is the percentage of eligible children that are actually being served at the current SMI threshold. Given resources may be finite, policymakers should contemplate first expanding access to existing eligible families or prioritizing certain populations much like Connecticut did.
- **Coordinating with Business Development Programs to Invest in Early Educators.** Connecticut’s business development program reminds us that providers are early educators, but also for-profit businesses facing economic development challenges. Like Connecticut, Massachusetts could use federal or state 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.<sup>12</sup> This could serve as a model for the state, especially as policymakers consider a more permanent operational grant program.

*New Mexico*

*What New Mexico is Doing*

New Mexico received \$197 million in child care stabilization funding. The majority of these funds have been awarded in direct payments to providers through the state’s stabilization program. However, New Mexico also dedicated \$10 million of the stabilization funding to launch an innovative capital investment program, the Child Care Supply Building Grant.

In October 2021, \$157 million of the state’s stabilization dollars were awarded to 1,004 child care businesses across New Mexico. The following May, the Child Care Supply Building Grant

<sup>11</sup> As is highlighted above, MA also allocated \$131 million in CRRSA Discretionary CCDF to support C3 grants.

<sup>12</sup> For more information on this Fund, follow this link: <https://www.boston.gov/departments/early-childhood/childcare-entrepreneur-fund>

program launched allocating \$10 million towards building the supply of high-quality child care throughout the state. The grants are intended for 1) existing providers to expand services and 2) for employers to create or expand child care services for their employees. Funds may be used for minor renovations and direct child care service costs. 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, representing just over 1% of the current total supply.

The grants, which are available to providers who received child care stabilization grants, have several other interesting elements:

- Eligible applicants must be able to open the proposed child care within 6 months of receiving a grant.
- Eligible applicants must commit to operating that child care for at least ten years.
- There is no formula for determining grant amounts.<sup>13</sup>
- There is no maximum amount of funding that can be requested.<sup>14</sup>
- No matching funds are required.

#### *Comparisons to Massachusetts*

- New Mexico used a portion of their stabilization grants for capital improvements, while Massachusetts allocated all stabilization funding to the C3 program and did not carve out any funds for additional programs.
- Massachusetts has two capital authorization programs dedicated to improving child care infrastructure, but has not disbursed the majority of available funds. Since 2018 the state has spent approximately \$21 million out of the \$70 million authorized by both programs.

#### *Considerations for Massachusetts*

- **Focusing on Capital Investments.** 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.
- **Time Horizon of the Initiative.** The Child Care Supply Building Grant program will allow for child care expansion that likely wouldn't have taken place without such an initiative. However, the ten-year service requirement without any additional confirmed funding beyond the initial grant could discourage participation by providers and employers to the program. Information on penalties for failing to comply was not readily available.
- **Sustaining Expansion.** The Child Care Supply Building grants may only be used for staff salaries, wages, and benefits for up to 6 months after the new child care slots have opened, at which point grantees must sustain funding to cover the personnel costs required for their

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<sup>13</sup> Instead, this decision will be made based on factors which include community need, agency and state priorities, quality of care proposed, and other factors deemed relevant.

<sup>14</sup> The ECECD in partnership with the New Mexico Finance Authority (NMFA) will administer grants at their discretion.

expanded capacity. As is the case for many of these emerging programs, long-term program sustainability is a legitimate concern, given that additional federal funds for early childhood have yet to be determined. To address this concern the state is interested in supporting projects that “leverage local, state, or private sector dollars.”

- **Flexible Grant Determinations.** The lack of a grant calculation formula or maximum grant amounts could be a positive in terms of allowing flexibility to provide grants that actually cover the provider's estimated cost of a project (rather than a predetermined amount regardless of the provider's actual need). On the flip side difficulties may arise if, for example, a provider is granted only part of their requested funding. In addition, the lack of a grant formula could lead to unintended inequitable outcomes.

## *Maine*

### *What Maine is Doing*

Maine received \$73 million in Child Care Stabilization Funds, all of which was directed towards grant payments to providers. In July 2021, Maine passed legislation to implement the Maine Jobs and Recovery Plan which allocated roughly \$1 billion in state FRF. The plan also dedicated a small portion of those funds to early education in the form of preschool expansion grants.

Maine has spent approximately \$65 million of their Stabilization Funds, reaching roughly 95% of all eligible providers in the state. Administrators kept the application process for the grants relatively straightforward by only requiring providers to apply once in order to receive 12 monthly payments. The grant formula focuses on short-term stabilization by incorporating a provider's licensed capacity and staffing numbers. However, the formula also includes unique elements by dedicating funds to longer-term improvements through incentives related to quality, expanded hours, and staff retention. For instance, the program tiers their grants based on a provider's level of quality and also rewards providers an additional \$100 a month if they operate during non-standard hours.

The Maine Jobs and Recovery Plan included roughly \$10 million over two years to the Department of Education for competitive preschool expansion grants. This funding builds on the state's investment of roughly \$25 million used to maintain the public preschool system.<sup>15</sup> The goal of the grant program is to increase the number of eligible 4-year-olds attending public pre-kindergarten by incentivizing the creation of new programs, the addition of classrooms to existing programs, or the conversion of half-day programs to full day programs. A total of 12 school districts were awarded pre-school expansion grants for the 2022-2023 school year amounting to just over \$2 million. Applications for the 2023-2024 school year will open in the summer of 2022, where an additional \$7.5 million is expected to be expended for maintaining previously awarded projects and funding new initiatives.<sup>16</sup>

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<sup>15</sup> School administrative units provide an additional \$25 million for the program which is raised from property taxes. An additional \$3 million is provided through Head Start.

<sup>16</sup> The remaining \$500 million was set aside to hire two new staff positions.



### *Comparisons to Massachusetts*

- Maine’s stabilization grant formula includes add-ons for providers with non-traditional hours and higher quality<sup>17</sup>; no such incentives exist in the Massachusetts program.
- Maine does not include an equity adjustment in their stabilization formula, while Massachusetts does.<sup>18</sup>
- Program staff who provide direct child care services in Maine (i.e., not directors or administrative staff) are eligible for a \$200 monthly staff bonus through the stabilization program. In Massachusetts, \$14 million in CRRSA was dedicated to providing child care programs with an additional \$30 per slot.
- Massachusetts spent \$10 million in FY 2022 for their pre-school partnership initiative, but has over five times the number of three- and four-year-olds as Maine.
- Funds for Maine’s preschool expansion can only be used to support four-year-olds. Massachusetts’s preschool expansion program includes both three- and four-year-olds.
- Maine’s preschool expansion program puts restrictions around using grant funds for lead teacher salaries and benefits, while Massachusetts’s program does not.

### *Considerations for Massachusetts*

- **Incentivizing Providing Non-traditional Hours of Care.**<sup>19</sup> Like Maine, Massachusetts could provide additional funding or benefits as a part of their stabilization program to those providers offering non-traditional hours of care. This would help meet child care demands for those parents and guardians who need care on the weekends, or between 6PM-6AM.
- **Including Quality Metrics in the C3 Formula.** Explicit quality metrics could be included in the C3 grant determination formula along with the equity adjustment. 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.
- **Rewarding Participation in State Data Systems.** In order to receive the \$200 monthly staff bonus, providers had to enroll in the Maine Roads to Quality registry, a statewide professional development system.<sup>20</sup> Offering this bonus sparked an increase in the number of registered providers whose data is now accessible to the state, an advantage for consistently tracking the status and quality of programs across Maine. Massachusetts could consider incorporating a similar incentive in their C3 grant program to improve its data collection efforts.
- **Ensuring Thoughtful Uses for One-time Funds.** Dedicating funds to preschool expansion grants could be a good use of federal relief dollars. Maine’s program ensures that dollars go towards one-time costs associated with starting or expanding a child care program. Massachusetts could use federal relief dollars to supplement its preschool partnership initiative by allocating these funds towards start-up costs to help expand

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<sup>17</sup> Non-traditional hours include weekends and between 6pm-6am. Programs that provide non-traditional hours receive a 35% bump in reimbursement though the state's child care subsidy program.

<sup>18</sup> The Equity Adjustment is based on the Social Vulnerability Index and percentage of subsidized children in the program.

<sup>19</sup> The MA ECC has considered this however it is not a standalone component of the current funding formula. MA determined that keeping the formula simple was a priority.

<sup>20</sup> For more information on the registry follow this link: <https://mrtq-registry.org/>

supply, leaving room for state dollars to go towards improving quality and longer-term investments.

## **Ohio**

### *What Ohio's Doing*

Ohio received \$800 million in Stabilization Funds. On December 1, 2021, \$150 million was made available for direct grant payments to providers. Two phases of grant payments have been completed to date. In March 2022, Governor DeWine announced that the remaining \$650 million in Stabilization Funds would be allocated for additional grants. A third phase of the grant program is set to open August, 2022. Each phase divides the grant into four sub-grants:

- Operating/ New Pandemic Costs
- Workforce Recruitment/ Retention
- Access Development
- Mental Health and Workforce and Family Support

When applying for each round of grants, providers request the amount they estimate being able to spend in the given expense period<sup>21</sup> and receive all of the funds they are eligible for across all sub-grants. Centers, Family Childcare Centers (FCC's), day camps, and in-home aides have all been eligible to apply for funding.<sup>22</sup> For each phase, grantees can apply for a maximum amount based on their program capacity and may receive all, a portion of, or none of the requested funds.<sup>23</sup>

### *Comparisons to Massachusetts*

- Ohio's stabilization program is more complex than the Massachusetts C3 program because it explicitly ties funding to specific policy areas. While Massachusetts has one grant type in a single phase, Ohio has multiple grants, across three phases. Each phase in Ohio's program has different application periods, expense periods, and allowable expenses. Additionally, grant amounts fluctuate based on the provider's request and the subsequent grant determination.
- There is no specific equity adjustment included in Ohio's funding formula. However, eligible Ohio centers that provide care during non-traditional hours may receive additional funding.
- Providers in Ohio receive one grant payment for each sub-grant they are eligible for, to be used during each of the expense periods (which range from about 6 months to two years). In contrast, providers in Massachusetts receive monthly payments.<sup>24</sup>

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<sup>21</sup> The expense period is the timeframe when the funds need to be used. For example, the expense period for Phase 3 is July 1, 2022 – June 30, 2023.

<sup>22</sup> Phase three is limited to FCC's. See link for more information. <https://d2hfgw7vtnz2tl.cloudfront.net/wp-content/uploads/2022/06/Phase-3-Application-Guidance-Document-FCC.pdf>

<sup>23</sup> For more information on Ohio's Child Care Stabilization Grant program follow this link: <https://occrpa.org/ohio-professional-registry/one-time-pandemic-payment-2/>

<sup>24</sup> With providers needing to complete brief recertification each month.

### *Considerations for Massachusetts*

- **Balancing Targeted Policy and Efficiency.** Both states aim to support and stabilize their early childhood systems, but their approaches differ drastically in program structure and administration. While Ohio’s sub-grants target specific policy areas (for example, Workforce Recruitment/Retention), the Massachusetts program assists providers by offering more flexible grants with the goal of rapid distribution and high take-up rates.
- **Streamlining Access for Providers.** Because of the various phases and moving pieces, navigating the different sub-grants and phases could be daunting for potential grant applicants in Ohio. While there may be ways to continue to enhance the Massachusetts C3 program to support innovative design changes, its current relative simplicity makes it appealing in terms of ease of access for providers.

### *Iowa*

#### *What Iowa is Doing*

Iowa has been creative in using federal funds to get businesses engaged in supporting their child care system. The state is using \$25 million for a Child Care Business Incentive Grant program, which launched in July, 2022. The program provides funding to businesses and employer consortiums to build child care centers onsite or partner with local or regional child care programs to create new slots for their employees’ children.<sup>25</sup> Both grant opportunities operate as 50/50 cost-sharing models. To ensure commitment to the program, the business must initially cover the total cost before being reimbursed. To be eligible, a business or consortium of businesses must have a minimum of 75 employees. The consortium element was added to ensure smaller businesses with fewer than 75 employees would also be able to participate.

Grant awards for infrastructure projects that involve building a new facility are capped at \$3 million, while projects that renovate or expand existing facilities are capped at \$1.5 million. All infrastructure projects must be completed by June 30, 2026. Grant awards for increasing or reserving new slots will be capped at \$250,000. Funding for these projects must be obligated by September 30, 2023 and used by September 30, 2024.

#### *Comparisons to Massachusetts*

- Massachusetts does not currently have a formalized program to engage the business community in supporting the state’s child care system.
- The Early Childhood Education and Economic Review Commission recommended that the legislature engage the business community on best practices and ways to incentivize employer-provided child care services. The Senate’s early education bill includes this recommendation by establishing a commission to study and make suggestions on potential employer-supported child care benefits. However, as of the end of the formal legislative session, the bill had not been finalized.

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<sup>25</sup> \$20 million is dedicated to the infrastructure program and is funded through State FRF. The remaining \$5 million uses supplemental Discretionary CCDF to support the supply expansion portion of the program.

### *Considerations for Massachusetts*

- **Engaging Small Businesses.** As Massachusetts considers the role of employers in supporting the child care system, Iowa can offer insight into potential policy options. However, it will be important for Massachusetts to consider who this type of program will support and who it potentially leaves out. Although a consortium model may provide an incentive for smaller businesses to participate, the coordination required to do so may create unintended barriers to entry.

### *A Closer Look at Massachusetts Communities*

Local FRF has played an important role in the child care industry in Massachusetts. The cities of Boston and Somerville provide two examples of how these funds have been used to support early education and care outside of just stabilizing the system. Boston is dedicating a portion of their \$558.7 million in local FRF for childcare stabilization grants, workforce investments, and supply building. Somerville also elected to use some of their \$77.5 million in FRF to expand child care assistance for more low-income families.

#### *What Boston is Doing*

The City has dedicated roughly \$15 million of their FRF allocation for early education initiatives. Of that total, \$1.5 million is being used to provide one-time stabilization grants for Family Child Care providers (FCC). The program kicked off in June 2022 and will give every FCC \$3,260 in one-time flexible funds. Out of 459 FCCs in Boston, over 406 providers have completed the grant agreement necessary to receive the funds.<sup>26</sup> In addition to that initiative, Boston is also making innovative investments in other areas:

- \$5 million is being used for a Stimulus and Stability Grant program that will help providers increase wages and benefits and develop new and sustainable compensation models.
- \$8 million will be dedicated to expanding and creating new child care facilities and providing financial assistance to promote professional development, including a recently announced \$1 million grant program to incentivize non-standard hours at providers.
- \$20 million is being invested to expand the City's universal pre-k program within community providers (using existing budget resources). City officials estimate that this new funding will result in roughly 350 new three- and four-year-olds in community-based programs, an increase of about 50% from current levels.

#### *What Somerville is Doing*

Somerville is investing \$7 million of their local FRF to increase access and affordability by providing tuition assistance for income-eligible families. The Child Care Access and Affordability Program was launched in June 2022 and is expected to run through mid-2025. The program is designed to initially serve toddlers and preschoolers before expanding to infants and school-age children. Eligibility for the program is determined by a multitude of factors, including household

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<sup>26</sup> As of June 2022.

income.<sup>27</sup> Eligible families are then matched with local child care centers based on their location, needs, and preferences. For the first year, families will receive child care at no cost, but eventually families will transition to a sliding fee scale in order to sustain and expand the program. Challenges with procuring enough slots at local programs prevented Somerville from reaching its first-year target, but as the program becomes more visible, administrators are confident they'll reach their three-year goal of serving 100 children.

### *Considerations for Massachusetts*

- **Expanding Public Pre-k Availability.** To date, Massachusetts has not used any of the federal relief funds outlined above to expand their universal pre-k system. The state could use Boston (or Maine) as a template, putting one-time federal resources towards capital and facilities costs in order to create new programs and/or expand existing ones.
- **Planning for Sustainability.** A common concern among many state and local governments, it is unknown what will happen to the Somerville's program once ARPA funds are exhausted in 2025. While expanding eligibility and making child care more affordable for more families is a worthwhile endeavor, using federal relief funds creates challenges regarding sustainability after the funds are expended. Similar to actions taken by Somerville administrators, local and state governments must plan ahead to avoid creating financial cliffs for low-income families.
- **Matching Supply with Demand.** Somerville's program is based on their ability to purchase seats at local providers that families would then be placed into based on their preferences and needs. A consistent issue across child care systems, demand does not always match supply. While Massachusetts has made efforts to sustain and expand the supply of child care, the state could consider using federal relief dollars to better connect families to that supply.

### **Additional State Initiatives**

As was mentioned previously, limited up-to-date information exists on state's specific spending plans for child care. However, a June 2022 report by the ACF provides a high-level overview of how states have used ARPA funds to invest in innovative child care projects.<sup>28</sup> The following section provides a glimpse into some additional initiative's states have taken on.

- **Idaho has invested in increasing the supply of qualified early childhood professionals.** In 2022, 200 early childhood professionals were able to use scholarships to assist in obtaining an Associate or Bachelor's degree, with 200 more anticipated graduates in 2023.
- **Puerto Rico has prioritized promotional activities to ensure all eligible providers are aware of grant opportunities.** While we don't have data for Puerto Rico around how many providers were ultimately reached, we know from conversations with representatives from Maine that targeted outreach can be effective. Maine was particularly successful, distributing grants to 95% of providers in the state. This was in part due to personalized

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<sup>27</sup> Other factors include the language spoken at home, if the family is experiencing housing insecurity or homelessness, if they are involved with the Department of Children and Families, if the child has a document learning or developmental disability, and the immigration status of the family/child.

<sup>28</sup> To view the report follow this link: <https://childcareta.acf.hhs.gov/resource/celebrating-american-rescue-plan-act>

outreach and phone calls to ensure providers were reached. In the future, Massachusetts could look to Puerto Rico and Maine for insights on the successes and challenges of targeted outreach and promotional campaigns.

- **Tennessee is offering education-based salary supplements to low-paid providers through the Wage\$ program.**<sup>29,30</sup> To reward professionals who have pivoted towards early education later in their career, a provider with any Bachelor's degree is eligible for the program regardless of the content area. To date, \$6.6 million has been awarded to 2,237 educators in the state. These funds are in addition to providers' regular salary.
- **Montana has allocated \$7 million to reward providers who remain in the field through a Workforce Retention and Incentive program.**<sup>31</sup> Last year eligible providers received \$600 in a first round of direct payments, and those who have remained in the early education field through December, 2022, will receive an additional \$1,000 this February, 2023. Providing financial rewards to providers who remain in the field is an effective short-term strategy to maintain providers during a crisis. However, these one-off payments are not an avenue for systems change nor are they an efficient substitute for increasing provider wages across the field. To ensure longevity isn't prioritized on its own, eligible providers could be required to maintain quality levels or adhere to SVI requirements to receive the bonus funding.

## Concluding Thoughts

Massachusetts's record of using federal funds to stabilize its child care system stands up well compared to its peers. Like Massachusetts, many states have focused on stabilizing existing systems by using the millions of dollars specifically allocated to them for child care (Discretionary CCDF or Stabilization Funds) as opposed to the more flexible dollars provided by FRF. Although the innovations in other jurisdictions are not transformative, there are components that policymakers in Massachusetts should consider as they look to reform its child care system. In fact, new funding included in the FY 2023 budget for innovative policy reforms (\$25M) and future child care investments (\$175M), in addition to remaining ARPA CCDF (\$147M), provide the state an opportunity to capitalize on some of these innovative ideas.

A critical next step for policymakers, allocating funds for innovative child care investments is necessary to meet the needs of providers and families across the Commonwealth. This paper concludes with thoughtful recommendations for how Massachusetts might approach integrating some of the innovative initiatives and lessons learned shared throughout this paper.

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<sup>29</sup> Wage\$ is open to licensed childcare providers in Tennessee who have worked at the same location for at least 6 months, earn less than \$20 per hour, work at least 10 hours a week and have at least 6 early education course credits. For more information follow this link: <https://www.tn.gov/humanservices/for-families/child-care-services/child-care-resources-for-providers/wages--mini-grants-and-more.html>

<sup>30</sup> For example, those with the minimum 6 credits will receive \$600 annually while those at the highest level, who have either a BA or Master's Degree and are eligible to receive up to \$7,800 a year. Each award is divided into two payments over the course of the year, to ensure providers in the program are staying in the field. For more information on the Wage\$ program follow this link: <https://www.tn.gov/humanservices/for-families/child-care-services/child-care-resources-for-providers/wages--mini-grants-and-more.html>

<sup>31</sup> For information on the program follow this link: <https://dphhs.mt.gov/ARPA/Childcare/ChildCareWorkforceStipends>

### *Program Structure of Stabilization Grants*

Stabilizing the child care system was, and continues to be, a key priority for state and local governments. As a result, Child Care Stabilization Funds are often being used to distribute direct grants to early education programs. Each state's program has similar goals but different approaches in terms of its structure and implementation. The Massachusetts EEC prioritized keeping both the funding formula and provider application process straightforward to efficiently and quickly determine amounts and distribute grants. However, as Massachusetts considers the future of the C3 program, incorporating additional incentives to promote non-standard hours or improve quality could help to advance longer-term policy goals (for more information on other states grant formulas see appendix).

### *Pairing Financial Support with Technical Assistance*

In many cases, child care providers are both early educators and business owners with unique needs and opportunities for growth. Connecticut offers us an example of how governments can complement financial stabilization with technical business assistance in order to promote providers' long-term viability. Implementing programs that support the dual role that providers play is an avenue Massachusetts could consider. As is highlighted above, a similar program exists in the City of Boston, giving the state a template to potentially scale and build off of.

### *Engaging the Business Community*

As Massachusetts looks to engage the business community on ways to support the child care system, Iowa and New Mexico offer two potential policy solutions. Both states created competitive grant programs to incentivize businesses to construct new child care infrastructure or expand supply within existing programs. Massachusetts could explore a similar program, but should keep in mind the program's design and incentive structure. For instance, employers in Iowa's program are charged with coordinating with providers to pay for contracted slots and, in the case of smaller businesses, with establishing consortiums to meet the 75-employee minimum. This administrative burden could lead to inequitable outcomes.

### *Planning for the Future*

A common theme among the states, as in Massachusetts, is the challenge of managing temporary federal funds to support long-term improvements to child care systems. For example, Somerville's expansion of subsidy eligibility using a portion of their local FRF allocation creates a new framework to potentially build off of, but the future of the program depends on finding additional funding sources to carry it forward. If Massachusetts were to undertake similar efforts with remaining Discretionary CCDF or FRF from ARPA, thoughtful and timely planning would be essential to its lasting success.

## Appendix

*Table 6. Components of Stabilization Grant Formulas by State*

Formula Component	MA	CT	NM	ME	OH
License Capacity	X	X	X	X	X
Staffing Costs	X			X	
Equity Adj.	X	X	X		
Quality			X	X	
Non-traditional Hours				X	X
Full/Part Time		X	X		
Program Type					X
Accreditation Status		X			
Accepts Subsidy		X		X	
Enrolling Younger Children		X	X		
Peak Pandemic Operation		X	X		

**Key:** *X*= base, *X*=supplement/bonus