

Importance of C3 Continuation for the Commonwealth

PROGRAM HIGHLIGHTS & LOOKING AHEAD

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Outline

- What is C3?
- Funding Overview
- Grant Formula
- C3 in Practice
- Importance of C3
- Looking Ahead

What is C3?



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Program Overview

Commonwealth Cares for Children

C3 grants are given to early child care providers to help cover operational expenses and promote the stabilization of the child care sector. The program was originally created to distribute federal child care stabilization funds from the American Rescue Plan Act (ARPA) to address the financial burdens faced by providers during the pandemic and to prevent a further reduction in the supply of child care during the recovery.

Starting in FY 2023, **the state has since taken over the responsibility of funding C3 solely with state funding**, with the continued goals of the C3 program to enable providers to better recruit and retain their staff, increase compensation, and invest in high-quality initiatives so that costs aren't passed onto parents.

Who is eligible?

All EEC-licensed child care providers open to serve children, regardless of whether or not they serve children who receive child care financial assistance, are eligible to apply for C3 grants.

Funded programs approved by the EEC and run by private schools are also eligible for grant funding. *

*A Funded Program is defined as any child care provider that is not subject to licensure by the EEC but has either a contract with EEC or a voucher agreement with a local Child Care Resource and Referral Agency (CCRR), to provide child care for children in the CCFA system. Funded programs include private, religious, tribal, and government/military programs.

What can a provider use a C3 grant for?

Grant funds can be used on one or more of the following:

- wages for child care personnel, pay increases, benefits, stipends, and other supports for recruitment and retention;
- professional development and other investments to support staff in building educator qualifications;
- supplies, curriculum, screening tools and other investments to improve program quality
- rent or mortgage payments, utilities, facilities maintenance and improvements, or insurance

Grants cannot be used for major renovations to child care facilities including structural changes to the foundation, an extension or major alteration of a facility. Minor building updates or maintenance such as repairs to HVAC systems, installing new flooring and replacing outdated building fixtures, are allowed.

C3 in the Context of Massachusetts' Child Care System

The C3 program has become a key part of Massachusetts' child care system, complementing another main fixture of the system - Child Care Financial Assistance. Roughly 58,000 children are currently receiving some form of state financial assistance for child care, whether through DTA, DCF, or income-eligible programs. 58% of licensed child care providers in the state serve families receiving CCFA, about 4,664 providers out of slightly over 8,000, as of EEC's end of year survey in 2023. Importantly, CCFA reimburses participating providers through provider rates which have historically been used to increase educator salaries and benefits.

C3 is unique in that its funding is able to be used to build capacity, for operational expenses, to support the workforce and to make improvements to quality across the child care system in ways that CCFA is not able to do. C3 has also been incredibly important for data collection across the child care system as non-CCFA providers also participate in C3 and must report data to the department which has been useful in assessing system-wide growth.

The C3 program, initially funded with federal child care stabilization funds was able to give providers additional support during the pandemic and continues to be important to support the continued growth of the child care system . When federal funds were fully used, the Governor and Legislature committed to continue the program through other means. Other states have not been able to continue their pandemic-era stabilization funds to the same level.

The Commonwealth's Commitment Stands Out

States across the country have been grappling with the consequences of expiring federal funding. The [Century Foundation](#) released a report in January 2024 detailing the 11 states and Washington D.C. that have committed to investing greater state funds into early education as federal funding has expired. **Massachusetts is the only state in this analysis that has maintained the same level of commitment to provider grants fully with state funding.** A snapshot of some of the investments by other states, a majority of which focus on workforce support, is below.

State	State Support for Child Care Since Expiration of Federal Funding
Washington D.C.	Launch of DC Early Childhood Educator Pay Equity Fund to raise compensation for early childhood educators across the system. The fund provides early childhood educators with quarterly supplemental payments, in addition to their salaries. These payments totaled almost \$70 million and increased caregiver compensation by 40 percent in FY 2023.
New Mexico	First state to create permanent fund for child care through a ballot initiative passed in 2022. The ballot question dedicated \$150 million a year for child care and early learning, from age 0 to 5, \$100 million of which has been used for stabilization purposes. With these funds pandemic-era increases in wages for early educators have been maintained.
Maine	<ul style="list-style-type: none"> • State funding for wage stipends for educators from \$200 to about \$400 on average, bringing the wage supplement investment to around \$30 million annually. • Developing a cost of care model and increasing investments in their subsidy program with the goal that no family pays more than 7% of their income for child care.

D.C.'s program, while more narrow and smaller in scale than Massachusetts' C3 program, is the closest program nationally to C3. Facilities that participate in the DC program receive quarterly payments and are required to pay eligible early childhood educators wages or salaries that meet or exceed the minimum salaries set by D.C.'s Office of the State Superintendent of Education. The goal of the program is that child development facilities can offer competitive wages to recruit and retain qualified staff and support the futures of early childhood educators.

C3 as an Engine of Systemic Change

Massachusetts has the highest child care costs among the 50 states, with **infant care costing, on average, over \$20,000 a year**. The average price for 4-year-olds is only slightly lower at \$15,000 a year. Between toddler and infant care, families are spending almost 40 percent of their income on child care.

Despite the high cost of care, child care educators and staff are among the lowest paid workers in education. Federal data shows that, in 2021, **the state's median child care worker earned \$14.98 an hour**, around \$34,920 annually.

Furthermore, MTF's research on the untold costs of child care estimates that **due to inadequate child care, Massachusetts loses roughly \$2.7 billion each year** in lost earnings for employees, additional costs and lower productivity for employers, and fewer tax revenues for the state. Lack of affordable, accessible, and high quality care hurts our most vulnerable populations the most and depresses the growth that is possible in Massachusetts.

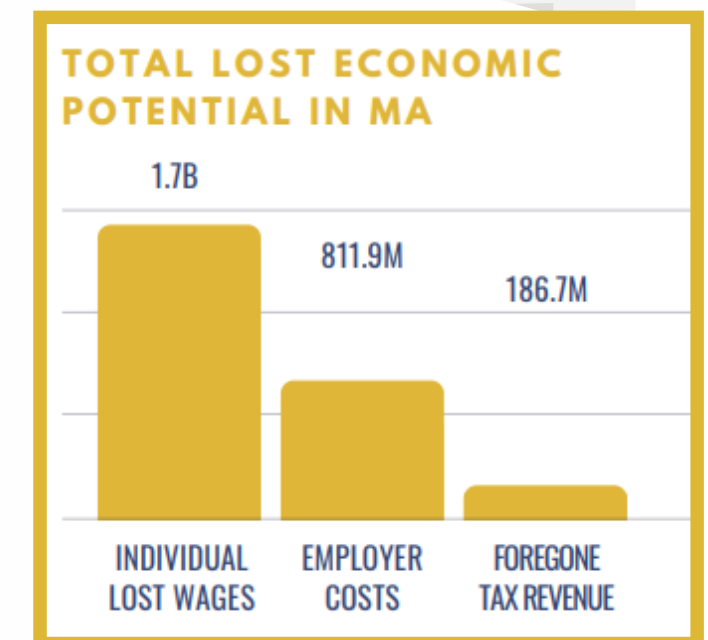
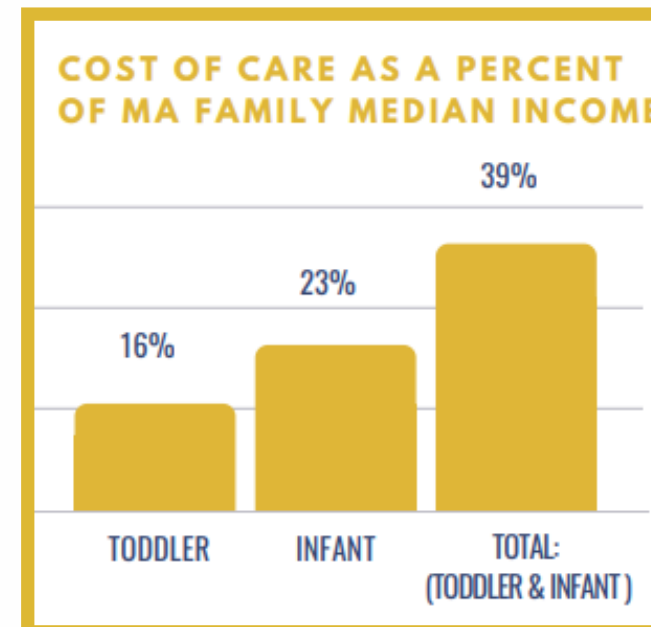
C3 has been instrumental in helping providers increase salaries, make service more affordable for families, and increase capacity in the system. If continued, C3 will continue to support system-wide improvements in accessibility, equity, and affordability.

Massachusetts has the nation's highest child-care costs. If you can find a spot, that is.

BREAKING



NEWS



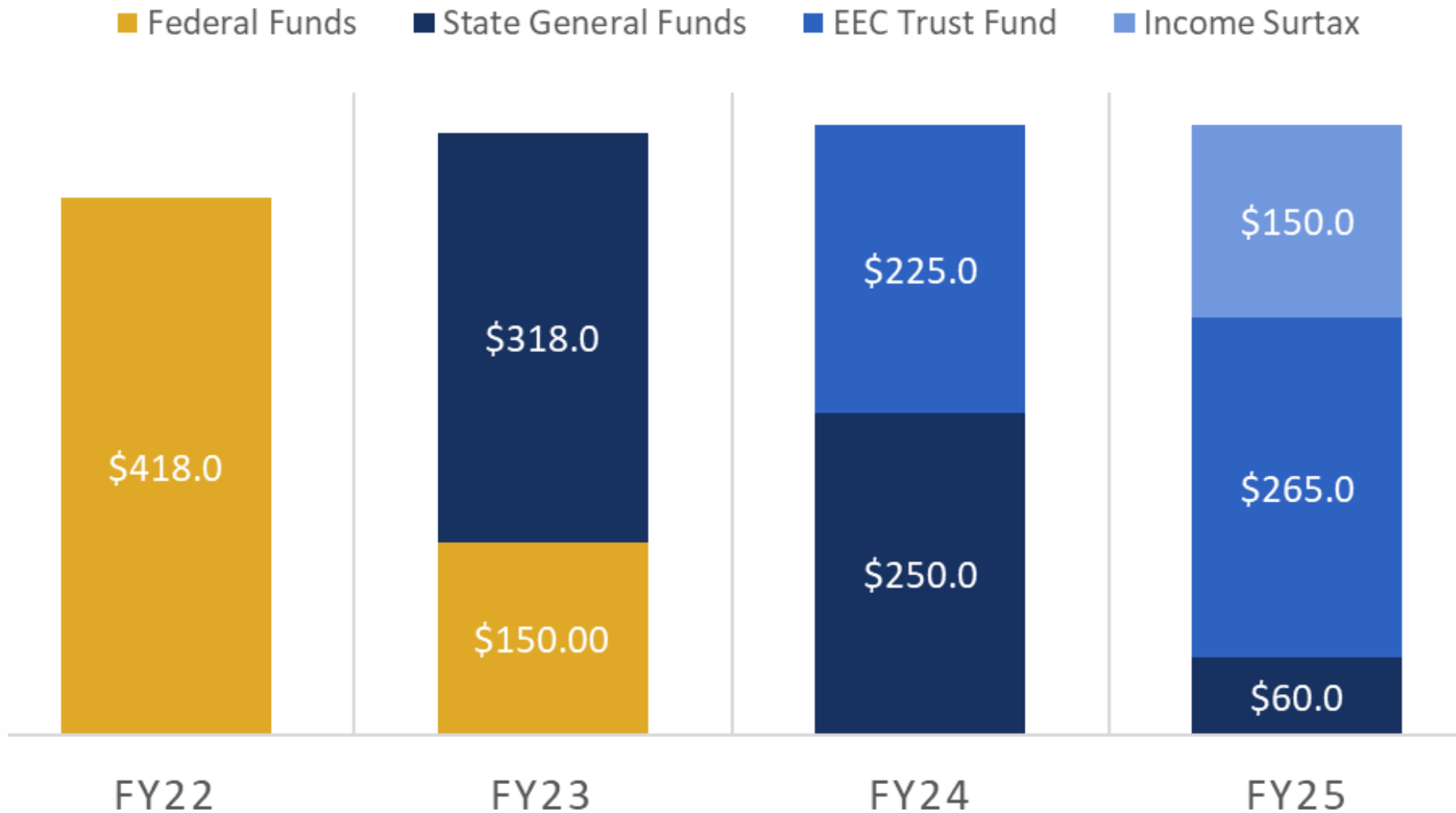
Funding Overview



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Funding Timeline

C3 PROGRAM FUNDING BREAKDOWN OVER TIME



C3 was launched in July 2021 and the first year was funded at **\$418 million** completely through federal funds, using child care stabilization funds (ARPA) and then supplemental child care development block grant funds, (CRRSAA).

Year 2 of the program (FY 2023) was funded using a combination of federal and state resources, including an FY 2023 supplemental budget, for a total allocation of **\$468 million**.

In FY 2024, with federal funding no longer available, Governor Healey opted to fund C3 at **\$475 million**, fully using state resources - a combination of general funds and funds from the EEC Trust Fund.

In FY 2025, the Governor has proposed continuing the commitment to fund C3 at **\$475 million**, using general funds, the remaining amount in the EEC Trust Fund, and income surtax resources.

More on Governor's FY 2025 Budget

On January 24, 2024 Governor Healey released her budget proposal for FY25. In her recommendation she **maintains FY 2024 funding levels at \$475 million**. Healey proposes funding C3 through a combination of **General Fund** (\$60 million), **income surtax** (\$150 million), and **trust fund** resources (\$265 million). It is important to note that the \$265 million from the trust fund depletes this account and no other funding streams have been directed towards the fund at this time.

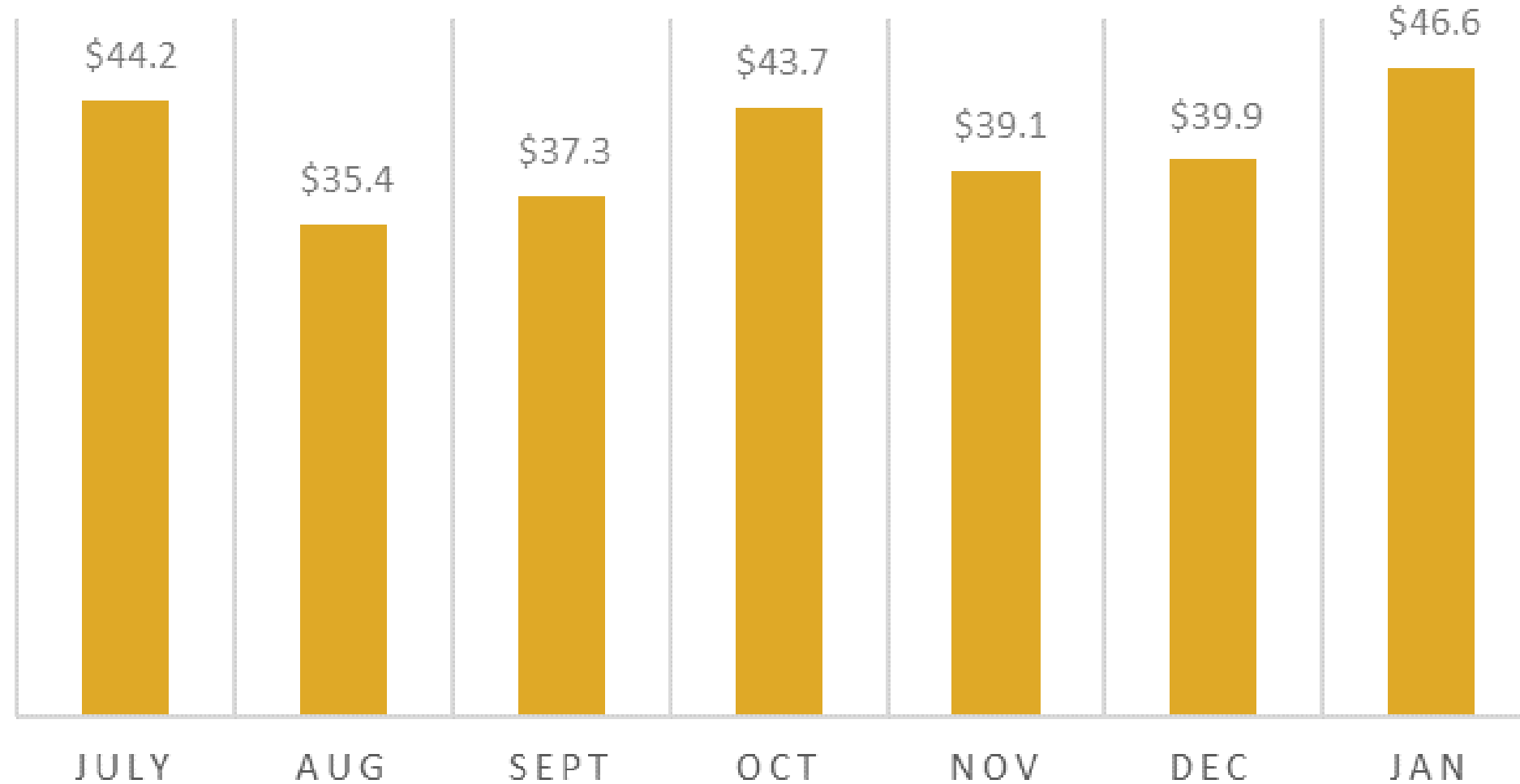
The Governor's budget also streamlines reporting requirements for the program, though still lists specific reporting requirements included but not limited to data on the number of enrolled children, number of employed educators, and how resources are being used to support staff recruitment and retainment.

Looking ahead to the House and Senate budget processes, MTF strongly recommends that C3 remains at the \$475 million level.

C3 FY25 Funding in H.2	
General Fund	\$60.0
Income Surtax	\$150.0
Early Education Trust Fund	\$265.0

Program Cost

FY 2024 MONTHLY C3 EXPENDITURES
(MILLIONS)



**Average Monthly Spend:
\$40.9 million**

Without changes to the current program structure, the cost of the C3 program is projected to exceed \$500 million in FY 2024.

Changes to the Grant Amounts Effective May-June 2024

In March of 2024, EEC announced that they are estimating the cost of the C3 program to exceed the appropriated funding amount for FY 2024 by roughly \$30 million. To be able to live within budgeted funding levels, the department announced changes to monthly grant amounts for providers with lower levels of CCFA participation for May and June of 2024, these changes are outlined in the chart below. These changes would result in an estimated 40% in cost savings, compared to the program's monthly cost in January 2024. Some adjustments and/or changes to the grant structure will likely need to be considered for FY 2025 planning to manage funding and predictability for providers, but these have not been decided yet.

	Group Makeup	May & June Change	Percent of C3
Group 1	Providers serving more than 33% CCFA children and Head Start/Early Head Start programs.	No change to regular monthly payment.	47% of providers
Group 2	Providers serving at least one CCFA child but less than 33% CCFA enrollment OR located in a highest SVI community (0.75 or higher).	Receive 55% of regular of monthly payment.	30% of providers
Group 3	Providers without CCFA children and who are not located in a highest SVI community, but have a signed voucher agreement with EEC.	Receive 30% of regular monthly payment.	2% of providers
Group 4	Providers serving no subsidized children, who are not in a highest SVI community, and also do not have a voucher agreement with EEC.	Receive 25% of regular monthly payment.	21% of providers

Grant Formula



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Original Formula Creation & Goals

Original Formula: Monthly Payment = BASE AMOUNT + EQUITY ADJUSTMENT



Original Guiding Principles

Stability: help programs continue to operate and maintain quality through pandemic recovery

Adequacy: support healthy finances and programs' ability to invest in compensation for early educators and address the workforce crisis

Equity: support all early education and care providers, and recognize the unique needs of providers who serve children and families of color and low-income communities

Simplicity: avoid creating a heavy burden on providers

Key Formula Elements

License Capacity to scale the grant funding per student for providers participating in C3.

Staffing Level Adjustment to reflect additional costs associated with:

- serving younger children
- offering longer hours
- offering a higher quality of care

Equity Adjustment to provide additional funds for programs that serve under-resourced children and families.

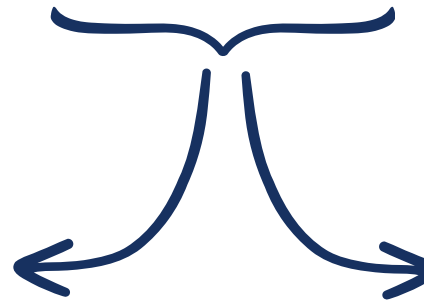
Breaking Down the Base Amount

$$\text{BASE AMOUNT} + \text{EQUITY ADJUSTMENT} = \text{MONTHLY PAYMENT}$$



$$\$83.33 \times \text{Licensed Capacity}^* \times \text{Staffing Level Adjustment}$$

*Licensed Capacity = 10 seats for all FCC providers



GSA/Center-Based Providers:

SLA = Number of FTE's divided by minimum required to serve their license capacity

Staffing ratio preschool example = 1 FTE per 10 kids

Minimum adjustment = 1
Maximum adjustment = 3

Family Child Care (FCC) Providers:

SLA: = additional 1.5X their base amount for a part-time assistant and an additional 2X for a full-time assistant

Min. adjustment = 1
Max. adjustment = 2

Breaking Down the Equity Adjustment

BASE AMOUNT + EQUITY ADJUSTMENT = MONTHLY PAYMENT

Level 1: Base Amount **X** 30%

Level 2: Base Amount **X** 40%

"Level 1":
programs serving
high need
communities

"Level 2":
programs serving
highest need
communities

"High Need": provider's location has an **SVI** between .55 and .75 and/or serves between 1/3 to 2/3 of its license capacity with children receiving subsidies.

"Highest Need": provider's location has an **SVI** of .75 or greater and/or serves more than 2/3 of its license capacity with children receiving subsidies.

SVI (Social Vulnerability Index)

SVI is a designation developed by the CDC using U.S. Census data to determine the relative social vulnerability of every census tract to help identify and map communities that will most likely need support related to emergency events. SVI takes into account socioeconomic status, household composition & disability, minority status & language, and housing & transportation.

Example 1: CBC Level 2 Equity Adjustment

Center-based provider (CBC)

- 60 kids
- 6 FTEs
- Staffing ratio 1 FTE per 10 kids
- Level 2 Equity Adjustment
- Group 1 (33% or more CCFA)



Base Amount = \$83.33 x licensed capacity x staffing level adjustment
 = \$83.33 x 60 x (1)
 = **\$4,999.80**

Equity Adjustment = Base Amount X 40%
 = **\$1,999.92**

Monthly Payment = \$6,999.72
 (\$116.66 per slot)

FY 2024 May & June Adjustments (all else equal)

Group 2
 (less than 33% CCFA, 55% of monthly payment)
 = **\$3,849.85**

\$2,000 more
 than same
 provider with no
 equity
 adjustment

Example 2: CBC Staffing Level Adjustment

CBC provider

- 60 kids
- 8 FTEs
- Staffing ratio 1 FTE per 10 kids
- Level 1 Equity Adjustment
- Group 1 (33% or more CCFA)



Base Amount = \$83.33 x licensed capacity x staffing level adjustment
 = \$83.33 x 60 x (1.33)
 = **\$6,666.40**

Equity Adjustment = Base Amount X 30%
 = **\$1,999.92**

Monthly Payment = \$8,666.32
 (\$144.43 per slot)

FY 2024 May & June Adjustments (all else equal)

\$2,167 more than same provider with no Staffing Adjustment

Group 2
 (less than 33% CCFA, 55% of monthly payment)
= \$4,766.48

Group 3
 (no CCFA but voucher, 30% of monthly payment)
= \$2,599.90

Group 4
 (no CCFA & no voucher, 25% of monthly payment)
= \$2,166.58

Example 3: FCC Staffing Level Adjustment

FCC provider

- 10 kids
- 1 FTE + 1 full-time assistant
- Level 1 Equity Adjustment
- Group 1 (33% or more CCFA)

BASE
AMOUNT



EQUITY
ADJUSTMENT



MONTHLY
PAYMENT

$$\begin{aligned} \text{Base Amount} &= \$83.33 \times \text{licensed capacity} \times \text{staffing level adjustment} \\ &= \$83.33 \times 10 \times (2) \\ &= \mathbf{\$1,666.60} \end{aligned}$$

$$\begin{aligned} \text{Equity Adjustment} &= \text{Base Amount} \times 30\% \\ &= \mathbf{\$499.98} \end{aligned}$$

$$\begin{aligned} \text{Monthly Payment} &= \mathbf{\$2,166.58} \\ &(\$216.66 \text{ per slot}) \end{aligned}$$

FY 2024 May & June Adjustments (all else equal)

\$1,083 more than
same provider
with no Staffing
Adjustment

Group 2
(less than 33% CCFA, 55% of monthly payment)
= \$1,191.62

Group 3
(no CCFA but voucher, 30% of monthly payment)
= \$649.97

Group 4
(no CCFA & no voucher, 25% of monthly payment)
= \$541.64

C3 & CCFA - Two Parts to the Puzzle

CBC provider

- 66 kids (average CBC capacity)
- Boston Metro Preschool
- Group 1 (33% or more CCFA)

50% CCFA Enrollment
Monthly CCFA = \$52,886
 (assuming full attendance for 20 days)

Monthly C3 Grant					
	Staffing Adjustment = 1	Staffing Adjustment = 1.25	Staffing Adjustment = 1.5	Staffing Adjustment = 2	Staffing Adjustment = 3
Equity Adjustment Level 1	\$7,121	\$8,902 <i>(example 2 above)</i>	\$10,682	\$14,243	\$21,364
Equity Adjustment Level 2	\$7,669 <i>(example 1 above)</i>	\$9,587	\$11,504	\$15,338	\$23,008

Formula Implications

C3 has become a significant component of state-funding for providers. As intended, the equity adjustment has led to providers in highest SVI communities, providers in majority BIPOC communities, and Gateway City providers receiving additional funds. Similarly, the staffing adjustment has led to providers serving infants and toddlers receiving additional funds due to their lower educator to child ratios, reflecting the higher cost of care related to serving younger children.

Looking towards future implementation, it is important to note the strong influence of the staffing level adjustment in the current formula and what that might mean for the sustainability of the program and provider equity. EEC is also considering ways that the C3 program can direct greater resources to providers serving vulnerable children and incentivize CCFA participation. Both of these goals are apparent in their FY 2024 May & June adjustments. Going forward, it is critical that these goals continue to remain guiding principles for the program while also acknowledging the different structures and needs of FCC and center-based providers. Living within the program budget is also naturally a priority for EEC so we may see some alterations to the program structure in the future as a way to make sure that the program is sustainable.

C₃ in Practice



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Who Has Received Funding?

Most recent data shared at Dec. 2023 EEC Board meeting reported that **7,500 programs across the Commonwealth received monthly C3 funding** (92% of all providers in the state).

EEC's Fall 2023 C3 provider survey collected responses from 6,864 providers (84% of all providers in the state).

Survey recipient breakdown:

- **4,291** programs that serve children receiving CCFA (92% of all CCFA serving programs)
- **2,468** GSA programs (84% of all GSA programs)
- **4,396** FCC programs (85% of all FCC programs)

EEC Fall 2023 C3 Survey

Systemwide Capacity

7,500
*programs supported
to date*

7,100
*slots over pre-
pandemic levels*

85%
*of licensed seats are
filled with enrolled
children*

Affordability/Access

47%
*of providers were able to
delay tuition increases*

63%
*programs serve kids
receiving CCFA*

32%
*of FCC programs were
able to reduce or
eliminate additional fees*

Workforce Support

66%
*of grant funds were spent
on workforce expenses*

55%
*of CBC's would reduce
compensation without C3*

40%
*of grant funds awarded to
FCC's were spent on
facilities and rent*

EEC 2021 & 2022 Fall Surveys

2021

5,885
grant recipients

\$150 million
distributed as of 12/10/2021

	Median Monthly Grant Per Licensed Slot	
	No Infants/Toddlers	Infants/Toddlers
All Providers	\$117	\$198
Majority BIPOC Census Tract	\$132	\$199
Providers Serving Children with Subsidies	\$117	\$210
Providers NOT Serving Children with Subsidies	\$122	\$184

2022

7,155
programs supported

\$574 million
awarded to date (12/13/2022)

	Percent of Funds From Equity Adjustment	Number of Providers Receiving Grants
All Providers	21%	7,155
FCC	25%	4,516
CBC	20%	2,639
Providers Serving Children with Subsidies	24%	4,425
Providers NOT Serving Children with Subsidies	17%	2,730

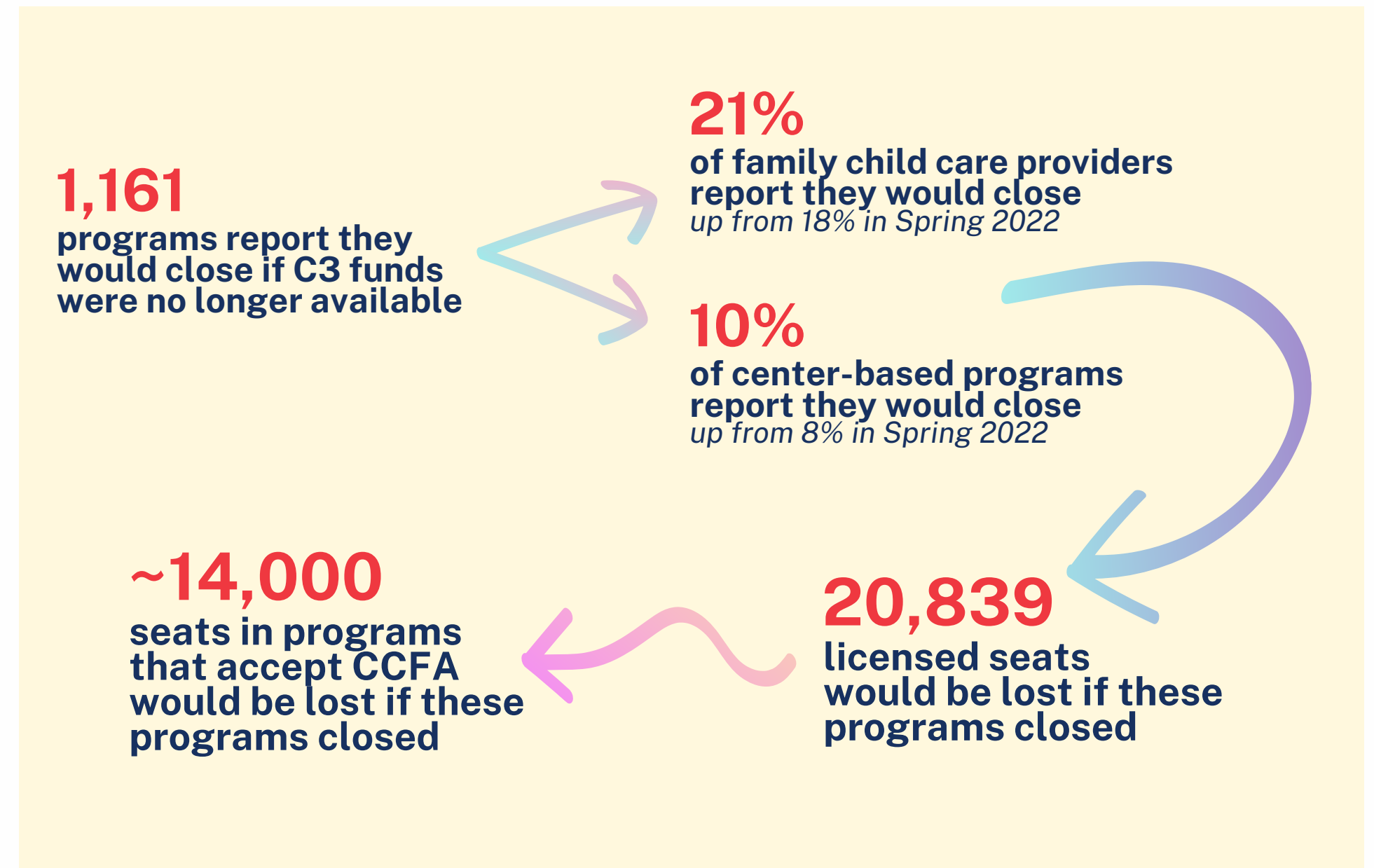
Importance of C3



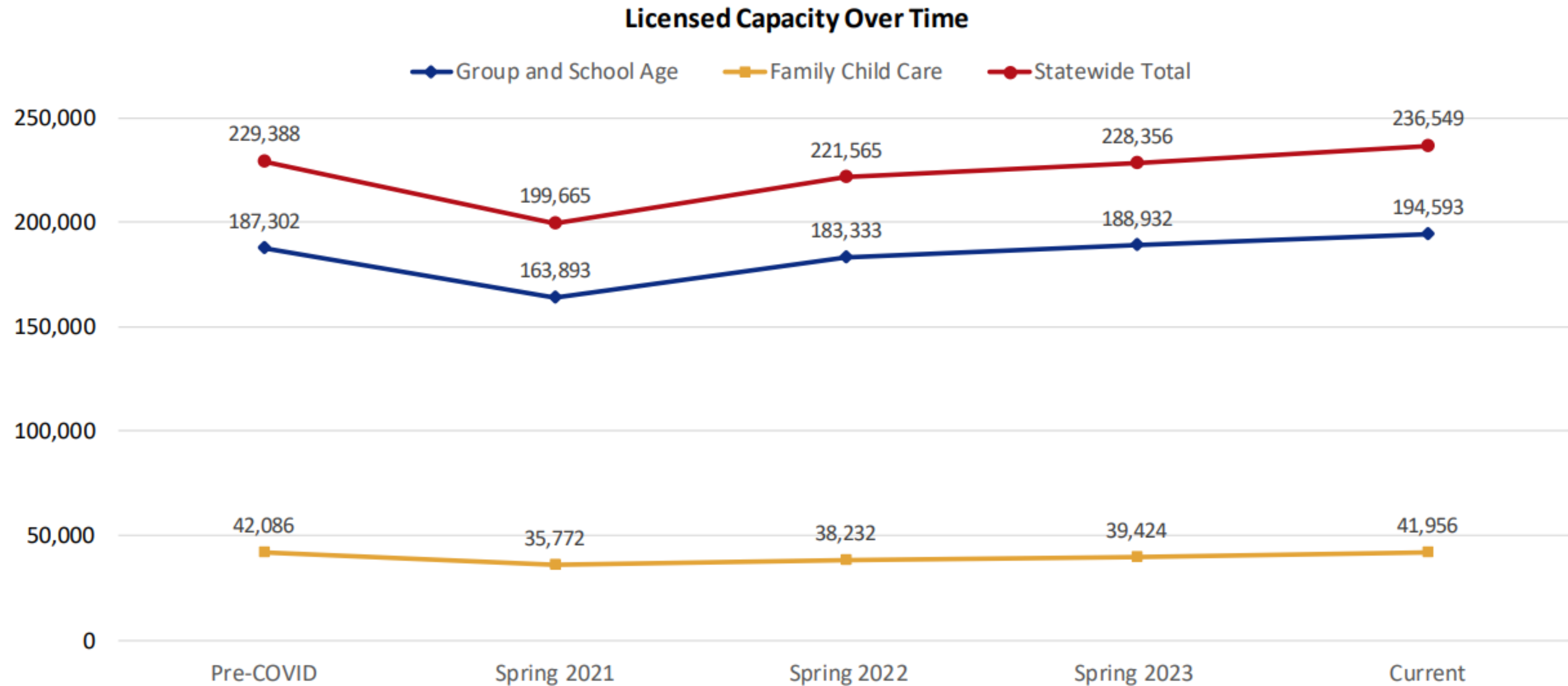
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Key Takeaways

- 1 C3 is the biggest change in how Massachusetts funds early education and care sector in twenty years.
- 2 C3 gives providers a foundation which complements the support given through CCFA and adds predictability to funding.
- 3 C3 is helping providers stay open and has helped increase system capacity.
- 4 C3 has lessened the cost burdens that have historically been placed on providers and families.
- 5 C3 has led to an increase in early childhood educator wages and benefits.

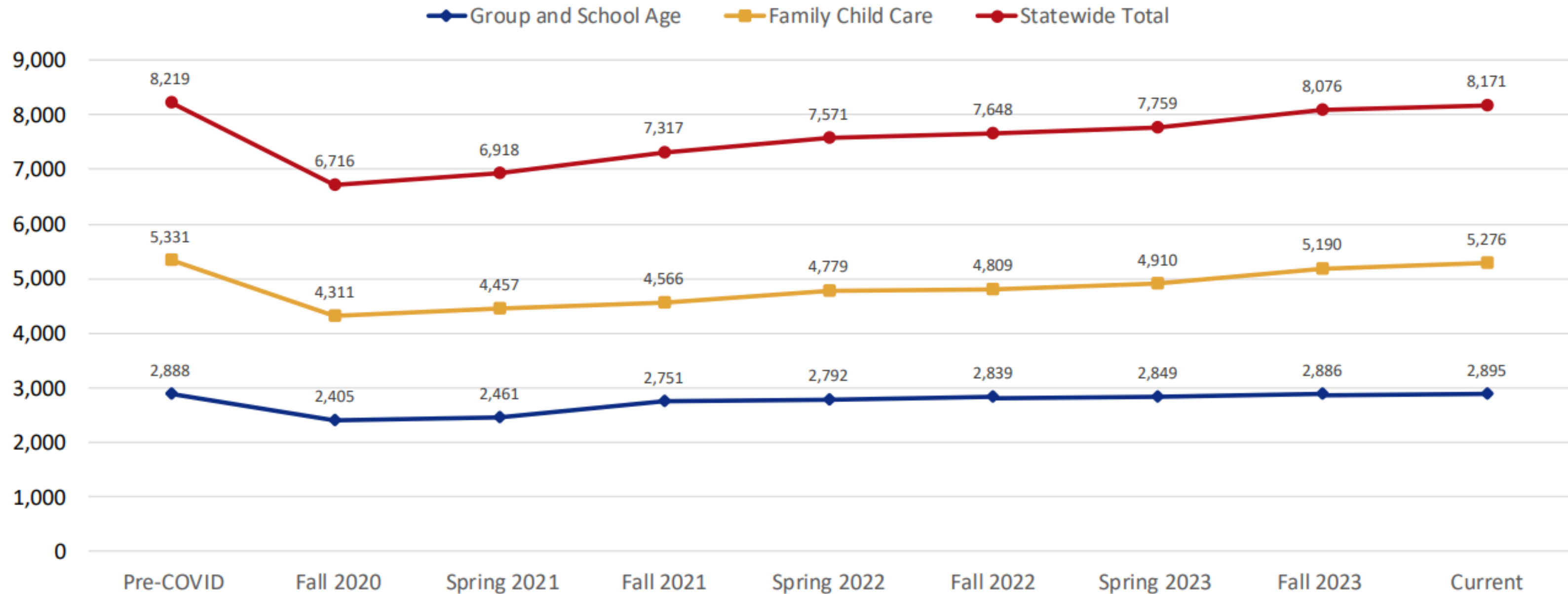


The licensed capacity of our system has now exceeded pre-pandemic levels.



The number of licensed providers has grown since C3, almost reaching pre-pandemic levels.

Number of Licensed Providers Over Time

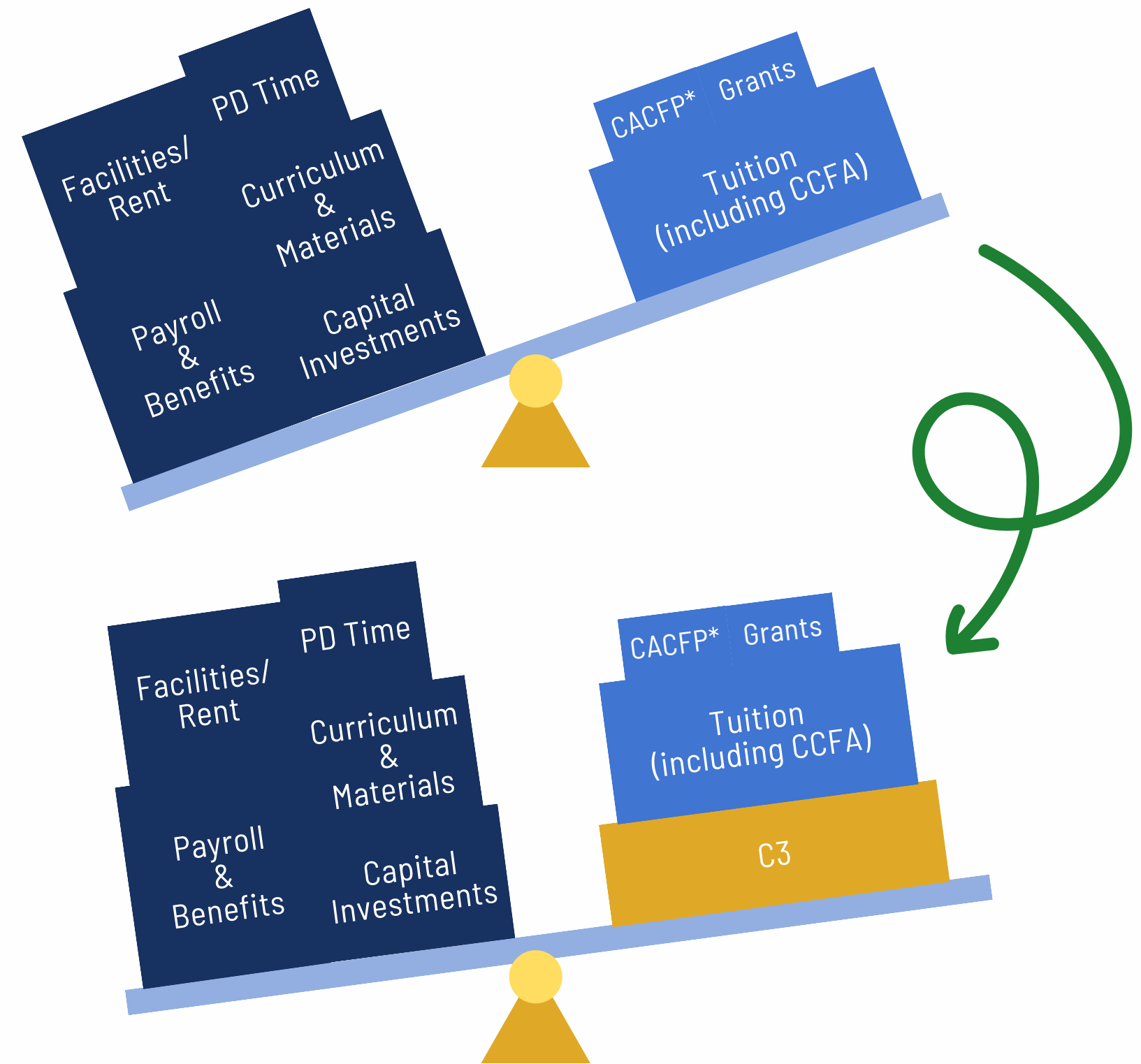


Importance of C3 Grants in the Market

The C3 grant program has helped to stabilize the system during the pandemic, meaning that more families are able to access child care, and that more providers are able to reach higher capacity and support their staff.

C3 has been instrumental to bringing more stability and equity to a system where natural market conditions have failed to balance provider needs with affordability due to high costs of care. The department's target was to use C3 to support 10% of provider budgets, data shows this varies by provider with the high end being 30% of a provider's budget funded through C3.

Overall, C3 has become an integral part of the state's early education system and has changed the way that child care providers relate to the state and serve families.



*CACFP= Child and Adult Food Program, a federally-funded program that provides supplemental reimbursement to participating providers for the provision of nutritious foods that meet federal guidelines.

Looking Ahead



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Spotlight Need - Educator Shortages, Wages & Benefits

C3 has helped grow early educator wages at EEC licensed programs but wages still remain at relatively low levels compared to other sectors.

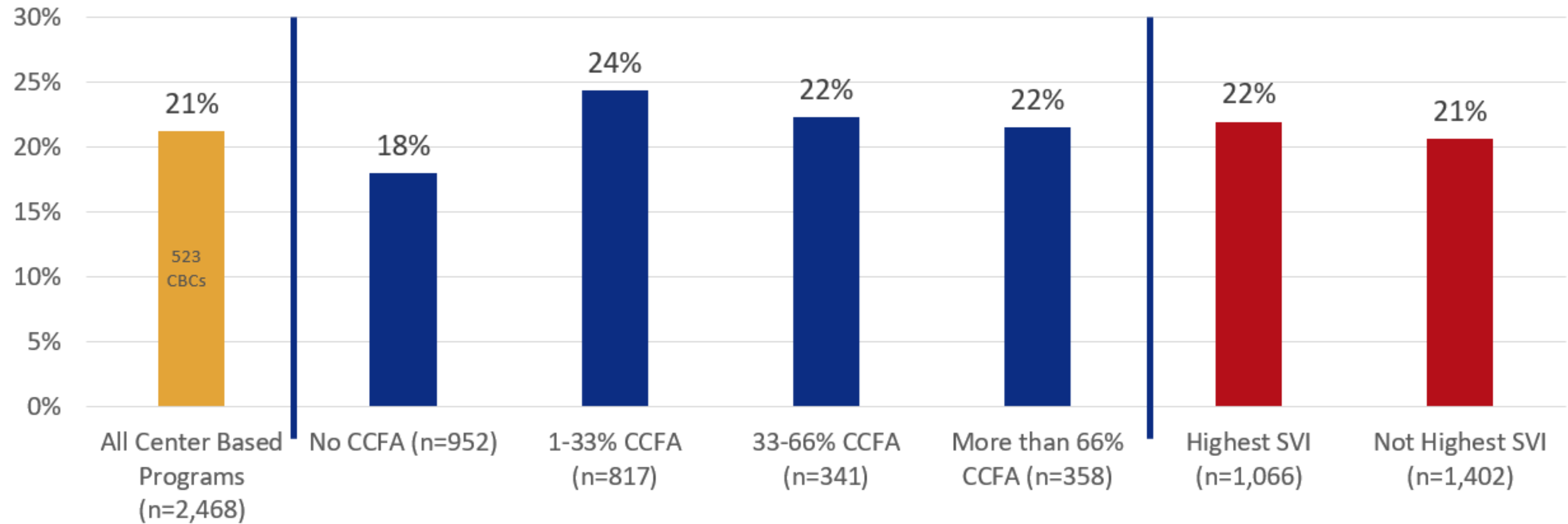
The median hourly wage for early educators before the pandemic was \$14.11 and the average annual salary was just over \$30,000. This is now up to \$22.09/hour and \$46,000 annually for the average center-based teacher.

The EEC workforce is 92% female and 41% people of color.

Supporting this workforce is critical to the growth, equity, and sustainability of the child care system and of our state as a whole.

Though capacity has increased, about 1/3 of providers are unable to serve their full license capacity. The most cited reason was unfilled staff openings.

Percent of Center-Based Providers Reporting that Unfilled Staff Openings are Preventing them from Serving Their Full License Capacity



Overall Recommendations

MTF strongly believes that the C3 program should continue to be a key part of the Commonwealth's early education system. The program has been essential to stabilizing the child care system since the pandemic but simply **returning to pre-pandemic levels should not be our end-goal. The state should:**

- 1** Maintain C3 funding at \$475 million, codify C3 in statute to provide consistency and future stability for child care providers, and remain committed to the universality of the program.
- 2** Continue to evaluate the grant formula to make sure that the goals of equity and supporting our most vulnerable communities remain centered. Flexibility in implementation will be important so that the program can best support providers as larger trends evolve.
- 3** Consider ways that C3 can be used to incentivize support for the early education workforce with special focus on wages, benefits, career path, and the needs of different providers.

Thank you!

IMPORTANCE OF C3 CONTINUATION FOR THE COMMONWEALTH

Victoria Bergeron
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