



**Massachusetts
Taxpayers Foundation**

**MTF
LEGISLATIVE
SESSION
PREVIEW**

2025-2026





EDUCATION ~ EARLY EDUCATION & CARE

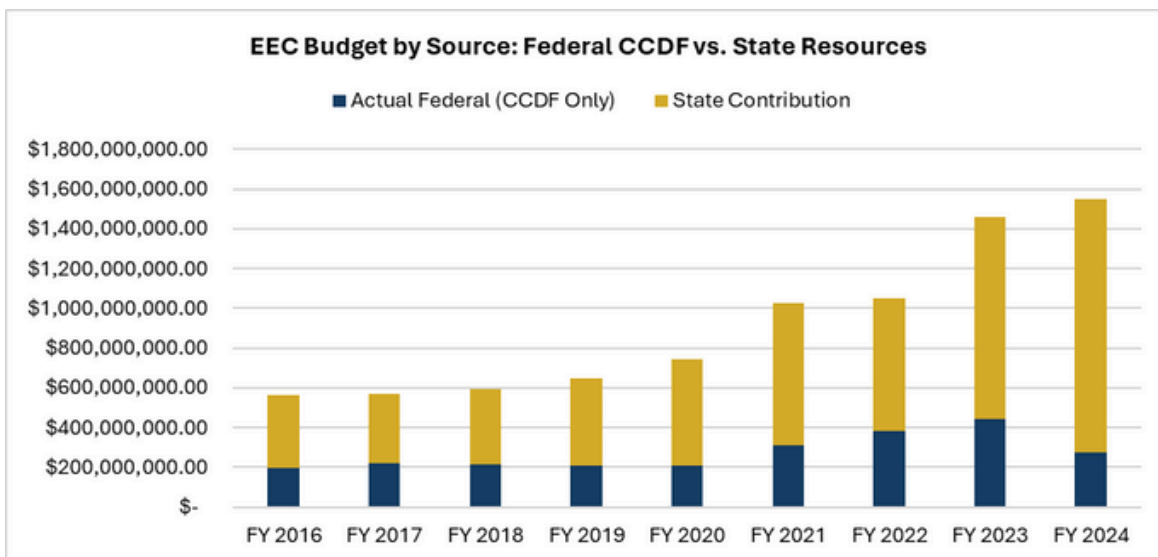
The early education and care system in Massachusetts is a complex and multi-pronged system, with more than 8,000 providers across the state serving children from birth through school-age. Multiple funding streams and programs help support the early education sector, children, families and providers. Since the pandemic there has been an increased focus on early education at the state level given the important effects the system has on outcomes for children and our state economy. Between Fiscal Year (FY) 2020 and FY 2025, funding for the Department of Early Education and Care (EEC) has more than doubled, increasing by \$858 million.

In the past two years, there has been great interest in work to expand access to child care for families, increase support for providers and the early education workforce, and build an equitable and effective system overall. This preview provides brief coverage of the recent investments that have been made in the system, descriptions of the key actions that took place during the 2023 - 2024 legislative session, and highlights what questions we are expecting to be central to the conversations around early education this session.

Background & Policy Context

Early Education Financing in Massachusetts – Federal and State Funding

Public funding for early education in Massachusetts is provided by both the state and federal government. Between FY 2016 and FY 2019, federal funding from the Child Care Development Fund (CCDF) made up about a third of EEC’s budget.



Since FY 2020, state investment in the department has increased at higher rates than federal funding, and by FY 2024, state resources made up 82 percent of EEC's budget. A large part of this increase is related to the funding for the new provider grant program Commonwealth Cares for Children (C3) which was fully funded for the first time by the state starting in FY 2024.

At the state level, several new funding sources have been tapped in recent years to support EEC's growing budget, including the income surtax, trust fund resources, and a new online lottery program.

Since its implementation, the income surtax has been a major source of revenue for early education programs, with \$70.5 million and \$278 million from the surtax being used to support EEC investments in FY 2024 and FY 2025, respectively. In FY 2025, the surtax was used to support C3, an expansion of the Commonwealth Preschool Partnership Initiative (CPPI), Child Care Financial Assistance (CCFA) waitlist reduction, provider reimbursement rates, an expansion of income-eligible CCFA, and a new early literacy program that will serve children from age three to third grade.

Another important funding source for EEC, and specifically for C3, has been the High-Quality Early Education & Care Trust Fund. The fund was created in FY 2023 with surplus tax revenue collections and was initially funded at \$490 million. In FY 2024 and FY 2025, the trust fund was used to support C3, and its current balance is \$65 million; limiting the availability of one of the primary funding sources of C3 going forward. Because C3 is still a relatively new state program in the early stages of implementation and revenue collections remain uncertain, maintaining a balance in the EEC Trust Fund can help to ensure that the state maintains its obligation to C3 in the coming years.

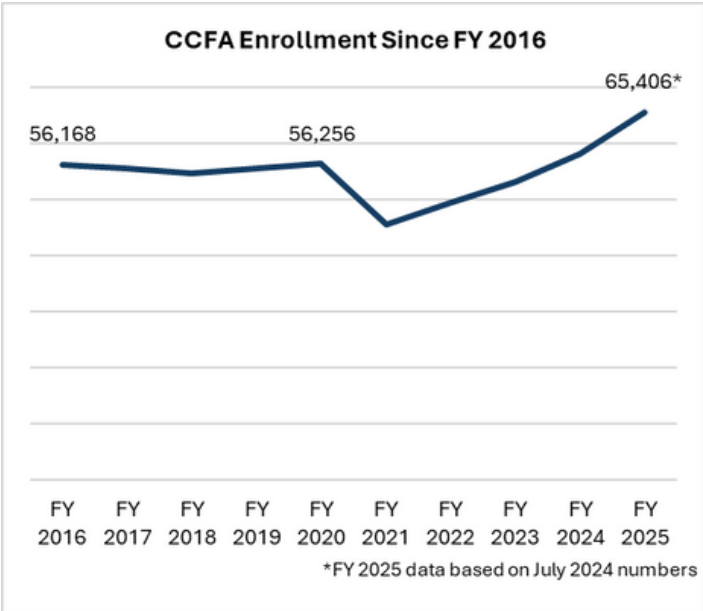
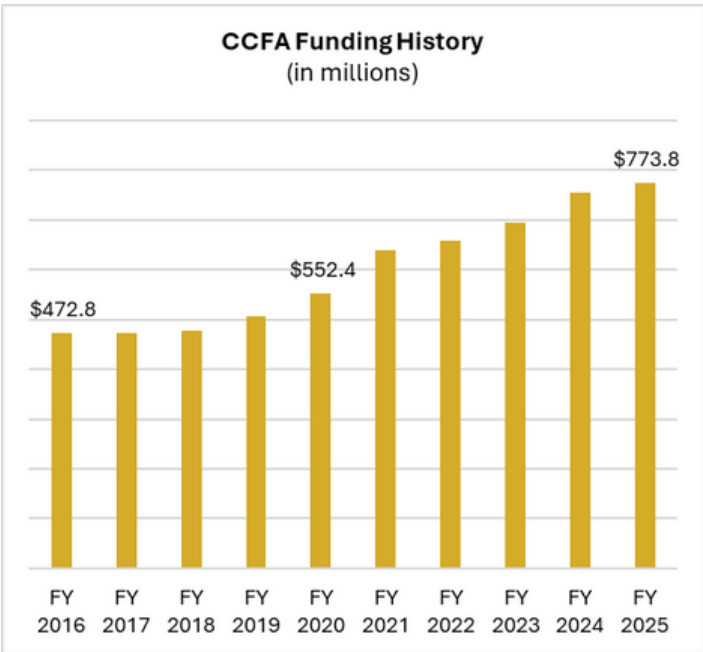
Finally, as part of the FY 2025 budget, the Legislature established an online lottery system and directed revenue from the iLottery to a new Early Education and Care Operational Grant Fund to support C3. Initial estimates suggested that an online lottery would generate between \$75-\$100 million in new revenue for the state; however, these collections are not guaranteed, and the Treasurer's Office has said that collections likely will not occur until mid-FY 2026. To address this potential funding shortfall, the final FY 2024 supplemental budget transferred \$150 million of surplus surtax revenue to the EEC Operational Grant Fund, and appropriated an additional \$2.5 million to implement iLottery.

Maintaining balances in the EEC Trust Fund and the EEC Operational Grant Fund, irrespective of iLottery, could offset the potential for volatile or underwhelming iLottery collections as the lottery is implemented in the coming years.

Child Care Financial Assistance – Serving Our Most Vulnerable Children

CCFA provides support to lower-income families and families engaged with the Department of Transitional Assistance (DTA) and the Department of Children and Families (DCF) so that they can afford and access care for their children. CCFA currently serves roughly 65,000 children across its income-eligible, DTA, and DCF programs. Providers accept children receiving CCFA by entering into voucher agreements or contracts with the state, and about half of all providers in the state serve children receiving CCFA. Providers who serve CCFA children receive reimbursement from the state on a per-child basis, and rates vary by region and the age of the children served.

Despite the progress made in strengthening the CCFA program in the past few years and an increase in enrollment since the pandemic, EEC has stated that the system is currently at capacity. Yearly increases in CCFA funding have been largely driven by the annualization of provider rate increases, which are an essential part of the system, but do not necessarily translate to increasing the number of children providers can serve.

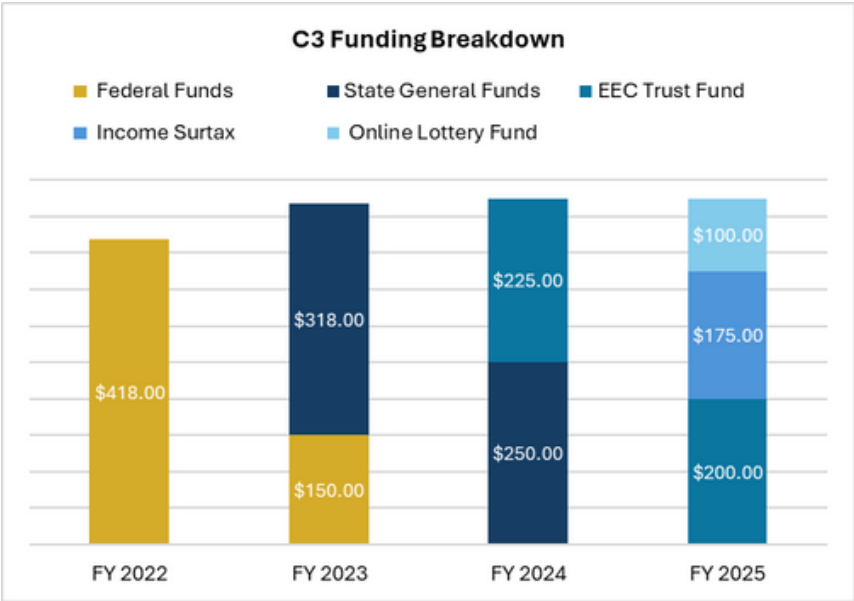


MTF recommends that specific enrollment benchmark language for income-eligible CCFA be included in the FY 2026 budget so that funding is more intentionally allocated to meet the goal of increasing CCFA enrollment. Ultimately, challenges facing the early education workforce present significant barriers to expanding capacity system-wide because without a strong, stable, and growing workforce providers will not be able to expand capacity and demand for care will continue to far outpace supply.



Commonwealth Cares for Children – Supporting Early Education Providers

C3 is the state’s operational grant program for early education providers. The grant program was originally a federal program created in 2021 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 stabilize the sector during a turbulent time.



Though C3 was originally a federally funded program, the state has continued funding for C3 as federal funds expired. To date, Massachusetts is the only state in the country to fully continue their pandemic-era stabilization grant program with state funds.

Currently, all child care providers in the state are eligible to receive C3 grants, but in FY 2026 a new policy will go into effect requiring providers receiving C3 grants to also certify a willingness to accept children receiving CCFA. While the program serves as an important complement to the CCFA system, it also offers providers a unique source of financial support. Providers may use C3 funding for operating expenses, capacity building efforts, early education workforce supports, and quality improvements. Funding is formula-based, and not solely calculated based on enrollment. The C3 program has also allowed the state to collect detailed data from providers through monthly reporting requirements, which have been useful for EEC planning, as the data sheds light on the overall health of the system beyond C3.

Key Actions in the 2023-2024 Legislative Session

C3 Codification – C3 was funded at a total of \$475 million in the FY 2024 and FY 2025 budgets and the grant program was codified into state law through several outside sections in the FY 2025 budget. As shown in the chart above, since federal funding has been exhausted, a combination of different state resources have been used to support



the program. In FY 2025, the High-Quality Early Education & Care Trust Fund, the income surtax, and the newly created Early Education and Care Operational Grant Fund were all used to support C3. Provisions in the FY 2025 budget also outlined a funding distribution formula for FY 2025, broken down in the chart below.

Tier Definition	Percent of Grant Funding
Providers with enrollment including at least 25% children receiving CCFA, or Head Start and Early Head Start providers.	50.5%
Providers with enrollment at least 1% but below 25% children receiving CCFA.	28.4%
Providers who do not serve children receiving CCFA.	21.1%

CCFA Codification – The CCFA system was also codified through the FY 2025 budget. Outside sections set in statute the current program structure and outlined an expansion to the income-eligible program. The language increases the eligibility threshold for the income-eligible program from 50 percent of State Median Income (SMI) to 85 percent SMI starting in 2025 and outlines additional steps for expansion, up to 125 percent of SMI if additional funds are made available. The final FY 2025 budget also included \$18 million in income surtax resources to support the expansion of the program to 85 percent SMI eligibility.

Provider Rate Restructuring – Over the past two years, EEC has taken steps to incorporate cost model calculations further into the CCFA system in order to bridge the gap between the true cost of care and market rates. In line with this goal, in FY 2024, EEC restructured the rate system for CCFA providers to bring rates closer to the cost of care through rate increases and a consolidation of rates to lessen regional inequities. The FY 2024 rate increase was supported through a \$65 million investment in the FY 2024 budget. In FY 2025, \$25 million was appropriated for new rate increases.

Contract Re-Procurement – In the fall of 2024, EEC completed a re-procurement of contracted child care providers for the first time in 15 years. New contracts went into effect on October 1, 2024, and awarded seats to providers serving children in the income-eligible program, children involved with DCF, and other priority CCFA populations like children experiencing homelessness or children with young parents. Ultimately due to increasing costs and availability of funding for the procurement, EEC was not able to expand access through this process and awarded essentially the same number of seats in total (~19,000) as in the previous contract. However, the new contracts do allow for greater flexibility for the agency to redistribute underutilized slots over time and for procurement to re-open annually if additional funding is made available. EEC also built in greater quality measures into the contracts to ensure that children receiving care through a contracted slot receive the highest quality care possible.



Early Education Task Force – In January 2024, Governor Healey signed an executive order establishing an inter-agency task force on early education and care to ensure that Massachusetts leads the nation in early education and child care access, affordability, equity, and quality. The Task Force is co-chaired by the Secretary of the Executive Office of Education (EOE), the Secretary of the Executive Office of Economic Development (EOED), and the Secretary of the Executive Office of Labor and Workforce Development (EOLWD). The Task Force has five priorities outlined below and is expected to publish a Year 1 Report in early 2025. The work of the Task Force will likely shape the administration’s early education priorities through the next year and budget cycle.

Early Education Task Force Priorities:

1. Survey the practices of other states and countries.
2. Assess how better coordination among state agencies could support families in accessing early education and child care.
3. Identify resources for building capacity and increasing affordability in the early education and child care system.
4. Identify strategies to recruit, train, upskill, and retain members of the early education and child care workforce.
5. Review existing assets to identify potential locations to establish center-based early education and child care programs.

Key Policy Questions for the 2025-2026 Legislative Session

How should the Legislature ensure sustainability of EEC funding with uncertain revenue projections and potential challenges at the federal level?

Over the last five years, funding for EEC has increased by \$858 million, or 125 percent. As outlined above, in FY 2025, total funding for EEC is derived from multiple sources including the income surtax and two early education trust funds with limited reserves. As lawmakers prepare for the FY 2026 budget development process, during which they will face greater fiscal constraints and limited revenue growth, maintaining and sustainably increasing support for EEC will be a major challenge. Additionally, policy decisions at the federal level could have significant impacts on many areas of the budget, including in early education.



While the state has taken on a greater percentage of EEC's budget in recent years, federal investment in CCFA and Head Start, in particular, is vital and it is unlikely that the state will be in a position to make up the gap if federal funding is cut significantly. As shown above, federal funding through the CCDF exceeded \$250 million in FY 2024 and remains \$60 million higher than pre-pandemic levels. Building up reserves and maintaining a strategy for the use of income surtax revenue to support C3 will be important going forward into an uncertain revenue and political picture.

It is also critical that EEC effectively and efficiently utilizes current resources within appropriated levels so that they are able to plan ahead and avoid program deficiencies. The department is taking steps this year to build sustainability into C3 specifically through new measures that will make grants more predictable for providers and for EEC to administer throughout the year. However, with the requirement beginning in FY 2026 that providers receiving C3 must agree to serve children receiving CCFA, grant amounts and participation will likely shift, and the question will be whether the current C3 funding level and program structure will be able to adapt well to these changes. It is important that EEC is able to evolve C3 over time and allow the grant program to remain available and useful for various program types.

What are the challenges facing further CCFA system reform and where are the opportunities for increasing the capacity of CCFA?

In the past few years much has been done to enhance the structure and quality of CCFA, but there is more work to do. There is a continued need for simplification of administrative tasks through the implementation of improved technology and data systems. Effective technology and system organization would be incredibly beneficial for Child Care Resource & Referral (CCR&R) agencies and would allow program administrators to spend time more effectively centering families in the system. Ultimately, intentional funding and a focus on supporting and growing the early education workforce are also critical for the expansion of child care access as the system continues to face capacity issues across the state. Further information on CCFA reforms can be found in our recent report, [Building Blocks: Status of Child Care Reform in Massachusetts and What Comes Next](#).

What is the Legislature's role in supporting the growth and sustainability of the early education and care workforce?

The Legislature has funded several new programs in the past few years that are centered around the retention and growth of the early education workforce: from a pilot program to offer CCFA for educators' own child care to scholarship and loan forgiveness programs for educators. EEC is also currently working on an early education and care career ladder to help create a structure for career advancement for educators, and the department has also lifted up the unique needs of Family Child Care (FCC) providers as small business owners.

As more workforce programs and initiatives are considered, it is important to build further coordination opportunities between the field, higher education, workforce training programs, and EEC. An example of this is the existing Career Pathways program for early educators. Through Career Pathways, EEC works with and provides funding to the state's community colleges in Massachusetts to support early educator economic mobility and career goals. The program not only offers financial support to students pursuing further education in the field, but also provides academic support services to educators including tutoring and mentoring. In the FY 2025 budget, funding for Career Pathways was reduced while new scholarships for early educators and the state's free community college program were created. Educators in the sector argued against the cut due to the wraparound services the program provides and noted that the free community college program may not be accessible for all educators in the field. A continuous feedback loop between the early education field, EEC, the Legislature, and other stakeholders is critical for workforce programs to most effectively meet the diverse needs of the early education workforce, and it is important to remember that solutions are likely not one-size-fits-all.

Related Research from the Massachusetts Taxpayers Foundation

Child Care Legislation

- [MTF Summary of the 2024 Early Education & Care Bill](#)

Analysis of C3 and CCFA

- [Importance of C3 Continuation for the Commonwealth](#)
- [Building Blocks: Status of Child Care Reform in Massachusetts and What Comes Next](#)

Early Education in the State Budget

- [FY 2025 Budget: Early Education and Care Funding](#)
- [FY 2025 Conference Committee Preview - Early Education](#)

For more information on early education policy, reach out to MTF Researcher Victoria Bergeron at vbergeron@masstaxpayers.org.