



Massachusetts
Taxpayers Foundation



BUILDING BLOCKS

Status of Child Care Reform in Massachusetts and What Comes Next



About MTF

Founded in 1932, the Massachusetts Taxpayers Foundation (MTF) is widely recognized as the state's premier public policy research organization. We are a non-partisan, non-profit organization. Our mission is to provide accurate, unbiased research with balanced recommendations that serve to enhance sustainable and equitable economic growth in Massachusetts.



State Budget



Workforce



Education



Transportation



Health Care



Demographics

REPORT GOALS

- Build on past MTF research on Child Care Financial Assistance (CCFA).
- Help to ensure that greater investments in CCFA and changes to the early education system in Massachusetts are implemented effectively and equitably.
- Lead the conversation around where policymakers and policy researchers should focus going forward to support the growth and stability of the sector.

THREE KEY QUESTIONS

1. **What progress has the state made on CCFA reform?**

- MTF's 2023 report made several recommendations centered around increasing CCFA system efficiency, enhancing family engagement, improving outcomes for children, and building greater support for providers.

2. **Where is there still more work to do?**

- Significant work has been in some areas but there are ongoing needs especially when it comes to technology improvements, goal setting, and increasing capacity.

3. **What comes next?**

- Without a strong, sustainable, and well-compensated early education and care workforce, efforts to expand system-wide capacity will fall short.

SETTING THE STAGE

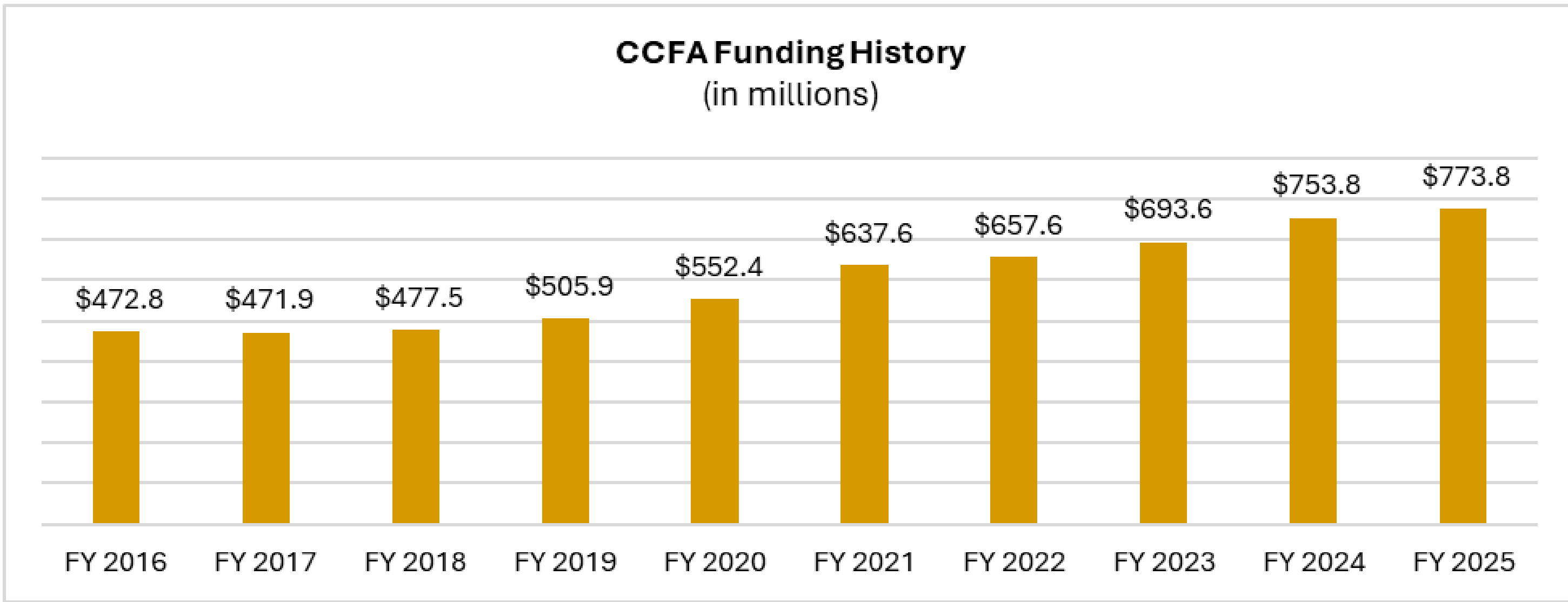
CCFA STRUCTURE

	INCOME-ELIGIBLE CCFA	DTA CCFA	DCF CCFA
Who Receives Assistance?	Families with household income at or below 50% of State Median Income. (Will increase to 85% of SMI in 2025)	Families engaged with the Department of Transitional Assistance (DTA). Families are eligible while on benefits and for a two-year transition period after.	Families involved with the Department of Children and Families (DCF). Families are eligible while they have an active case with DCF and for one year after.
What is the Assistance?	Contracted slots and vouchers are available for families. Depending on income level, families may still pay parent fees for care.	Families are typically referred to care through a DTA social worker. CCR&R administer the assistance and are not put on a waitlist.	Families are typically referred to care through a DCF social worker. CCR&R administer the assistance and are not put on a waitlist.
How do Families Access Assistance?	Families typically access care by working with a CCR&R or directly with a provider. Due to capacity and funding restrictions, families are often placed on a waitlist for care.	Only vouchers are available for families receiving DTA CCFA. Families receive care at no cost.	Contracted slots and vouchers are available for DCF families. Families receive care at no cost.



CCFA FUNDING

Since FY 2020, total investment in the Department of Early Education and Care (EEC) has more than doubled, growing by \$858 million. Funding for CCFA has been one driver of that increase, largely due to increases in provider reimbursement rates, which must be annualized in future budgets.



CCFA serves some of our state's most vulnerable children, and allows families to access high quality early education and care programs at no or low cost.

However, the CCFA system has historically remained largely unchanged, resulting in many challenges for providers, administrators, and families.

As investment in early education and interest from policy makers grows, we need to build a system that is equitable for communities, sustainable for providers, and accessible for families.



2023 RECOMMENDATIONS

IDENTIFIED PAIN POINTS

1. Insufficient Reimbursement Rates

2. Outdated System for Contracts

3. CCR&R Challenges

4. Burdensome Process for Families

5. Provider Participation

6. Lack of Enrollment Goal



2023 RECOMMENDATIONS

Recommendation 1

Base reimbursement rates on the true cost of care.

Recommendation 2

Update the contract RFR to allow for flexibility to adapt to changing market conditions and the distribution of children.

Infrastructure

Recommendation 3

Invest in new systems for CCRRs and assess administrative role to increase efficiency and improve service for families.

Recommendation 4

Redesign policies with common work and family arrangements in mind, making the system more accessible for families.

Building Higher

Recommendation 5

Integrate further incentives into the C3 program to increase participation in CCFA.

Recommendation 6

Incorporate enrollment benchmark into budget language to help maximize resources.

COST OF CARE MODEL:

**REVISING PROVIDER REIMBURSEMENT
RATES**

FUNDAMENTAL ISSUE





Center for Early Learning Funding Equity report found that in all but 3 scenarios, the cost for providing care far outpaced FY 2023 reimbursement rates.

FY 2023 Daily Reimbursement Rates for Centers Compared to CELFE Daily Cost Estimates by Region

	FY 2023 Infant Rate	Infant Cost Estimate	FY 2023 Toddler Rate	Toddler Cost Estimate	FY 2023 Preschool Rate	Preschool Cost Estimate
Western	\$66.70	\$115.15	\$61.16	\$89.54	\$46.51	\$46.83
Central	\$70.00	\$118.20	\$63.00	\$91.85	\$50.00	\$47.94
Southeast	\$66.70	\$119.98	\$62.57	\$93.19	\$47.74	\$48.57
Northeast	\$82.50	\$126.01	\$72.00	\$97.74	\$50.66	\$50.71
Metro	\$101.60	\$134.45	\$92.20	\$104.16	\$70.00	\$53.71
Metro Boston	\$97.00	\$136.55	\$85.90	\$105.80	\$68.00	\$54.71



2024 REVISION OF RATES

EEC reformed the rate structure and increased rates in 2024 with the support of \$65 million included in the FY 2024 state budget.

- Consolidated the **6 reimbursement rates into 3**
- Rates were increased to be **81%** of the highest cost of care in the rate group
- Lessened geographic inequities but costs still outweigh rates

FY 2024 infant rates across regions compared to cost and FY 2023 rates:

	Western	Central	Southeast	Northeast	Metro	Metro Boston
Cost Estimate	\$115.15	\$118.20	\$119.98	\$126.01	\$134.45	\$136.55
FY 2023 Infant Rate	\$66.70	\$70.00	\$66.70	\$82.50	\$101.60	\$97.00
FY 2024 Infant Rate	\$97.18			\$102.70	\$119.52	

COST OF CARE STATUS



Further integrate the cost of care methodology into the rate setting process.



Utilize cost estimation models to more efficiently distribute resources and target them in the areas where rates are farthest from covering costs.



Seek federal approval to determine rates primarily based on provider costs.

Next Step: Continue to update and improve provider rates based on the cost of care.

CONTRACT SEATS:

UPDATES FROM THE RE-PROCUREMENT



CONTRACT RE-PROCUREMENT

The 15-year-old contract did not reflect market conditions and did not allow for EEC flexibility around underutilized seats. EEC began the re-procurement process in the summer of 2023 and new contracts went into effect on October 1, 2024.

- **19,000 slots** were awarded across 100 organizations.
- EEC reallocated seats to focus on the highest need children and prioritized providers serving **infants and toddlers** as well as those in child care deserts or high-poverty areas.
- Ultimately, the overall **number of slots awarded did not increase** compared to the old contracts.
- The new contracts allow for agency flexibility around underutilized slots and allows for **procurement to re-open** annually if additional **funding** is made available.



Topline Procurement Numbers & Funding, 2009 and 2024 Compared

	2009 Procurement	2024 Procurement
Cost of a Contracted Seat	\$8,100	\$17,200
Total Procurement Appropriation	\$204 million	\$402 million
Number of Seats Awarded	Total: 20,000 IE: 14,215 DCF: 5,032 Young Parents: 600 Homeless: 600	Total: 19,000 IE: 12,506 DCF: 5,166 Young Parents: 354 Homeless: 973

2024 Procurement Income-Eligible Requested and Awarded Seats by Region

	Income-Eligible Seats Requested	Income-Eligible Seats Awarded
Western	2,868	1,619
Central	2,627	1,816
Southeast	5,196	3,084
Northeast	2,189	1,393
Metro	3,707	2,286
Boston	3,548	2,308

CONTRACT PROCUREMENT STATUS



Issue a new RFR to re-procure child care contracts with providers and allocate slots based on current market conditions.



Allow the redistribution of underutilized seats so that the system can adapt to changing conditions over time.



Allow for greater flexibility around age-based contract seat allocation.

Next Step: Continue to monitor the implementation of the new contracts and support providers through the process while establishing a clear plan around re-procurement going forward and updating seat allocation over time as additional funds become available.

CCR&Rs

System Reform and support

THE ROLE AND NEEDS OF CCR&Rs

Ensuring that CCR&Rs have appropriate and efficiently deployed **staffing** and better **data systems** in order for time to be spent less on administrative and regulatory tasks and more on family engagement and communication. CCR&Rs wear many hats, acting as:

- A family's entry point into child care.
- CCFA administrators.
- Conduits between DCF, DTA, EEC, and other state agencies.
- Coordinators with providers who accept vouchers.
- Social service agencies in communities.



SYSTEM CHANGES IMPACT CCR&Rs

Looking ahead, CCR&Rs could experience even greater capacity issues due to effects from the contract procurement and upcoming changes to C3.

- Some providers saw their contract awards reduced in the new procurement - to continue care, children who were previously in a contracted seat will now be transferred to vouchers.
- Starting in FY 2026, providers receiving C3 grants will need to certify their willingness to accept children receiving CCFA in order to receive C3 support.

Without updated, interconnected, and user-friendly technology systems in place, there is a potential for even greater strain on CCR&R staff, time, and resources.

CCR&R REFORM STATUS



Examine the role that CCR&Rs play as primarily CCFA administrators.



Look for ways to coordinate the work of CCR&Rs across agencies to lessen burdens.



Improve the data systems available to CCR&Rs in order to better serve children and families.

Next Step: Identify areas of CCR&R administrative work that can be streamlined and simplified with improved technology systems that work in partnership so that families are better served.

FAMILY-FRIENDLY POLICIES

IMPROVING EXPERIENCE & ACCESS

BURDENSOME POLICIES

Proof of income documentation requirements placed unnecessary burdens on parents who were self-employed, worked multiple jobs, or had other common working arrangements.

Single parents were required to submit documentation for their child's other parent as part of the family composition portion of their application. This requirement was not relevant for eligibility and only served to add burdens for single parents.

Change of circumstance reporting required that parents report unnecessary information during their child's 12-month eligibility period, like a change in income that would not affect their child's eligibility, creating added paperwork for families.

FAMILY-FRIENDLY POLICY STATUS



Improve the process of providing proof of income for modern working families by allowing multiple options and eliminating burdens on self-employed parents.



Remove unnecessary requirements surrounding family composition that place added burdens on single parents.



Focus the need for during-authorization change of circumstance reporting on changes that affect eligibility.

Next Step: Maintain communication with CCR&Rs and providers as policies are implemented and work toward further areas of reform.

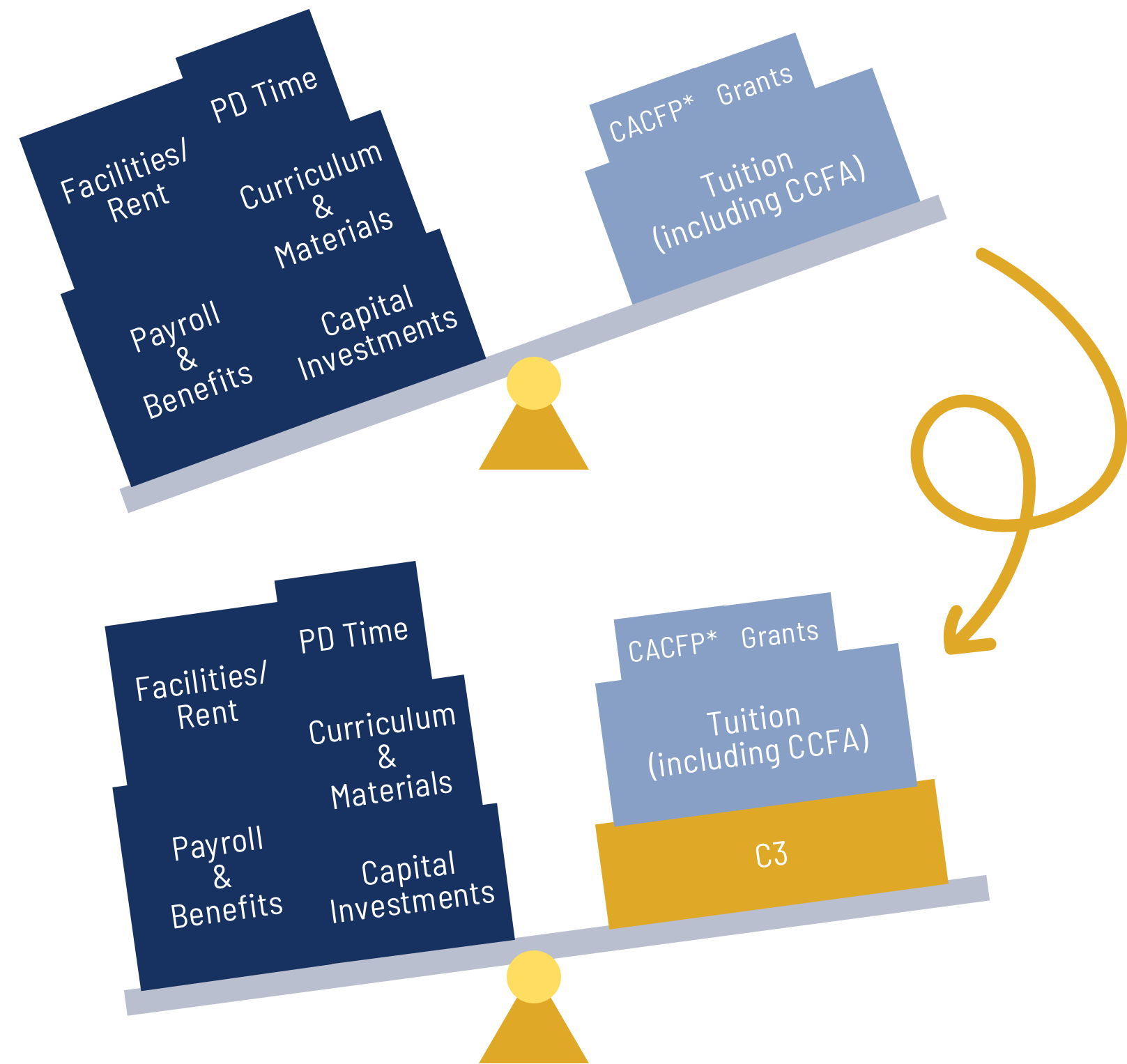


COMPLEMENTING & IMPACTING CCFA

C3 AS A COMPLEMENT TO CCFA

In the 2023 report, MTF highlighted the ways that C3 could be used to support providers and complement CCFA:

- Stabilize and support providers in **capacity growth**.
- Incentivize **CCFA participation**.
- **Data collection** opportunity that will aid the whole system.





C3 CHANGES IN FY 2025 BUDGET

The FY 2025 state budget codified C3 into state law, sending a strong signal of the program’s permanency. The budget language specifies that:

- Participating providers must enter into agreements with EEC to **enroll children receiving CCFA starting in 2026.**
- **50.5% of grant funding must go to providers whose enrollment is at least 25% children receiving CCFA,** or those serving at least 25% at-risk children, or Head Start and Early Head Start programs.

EEC is developing a new C3 formula in line with budget requirements that uses CCFA enrollment as one metric to determine grant amounts in FY 2025.

EEC FY 2025 C3 Equity Adjustment Tiers

	Provider Makeup
Tier 1	<ul style="list-style-type: none"> • Serves 25% or more children receiving CCFA, or • is a Head Start Program, or • is located in a very low opportunity area
Tier 2	<ul style="list-style-type: none"> • Serves 1-24% children receiving CCFA, or • Serves at least 25% children with non-CCFA scholarships that cover at least 50% of tuition
Tier 3	Does not qualify for tier 1 or tier 2

C3 MAXIMIZATION STATUS



Fund the C3 program at \$475 million for FY 2025.



Codify C3 into state law.



Use C3 to incentivize the supply of CCFA seats and collect further data to better understand the system as a whole.

Next Step: Analyze how the FY 2025 grant provisions affect providers and allow program evolution while centering quality, equity, and the growth of the early education workforce.

ENROLLMENT GOAL-SETTING

MAXIMIZING FUNDING WITH
INTENTIONALITY

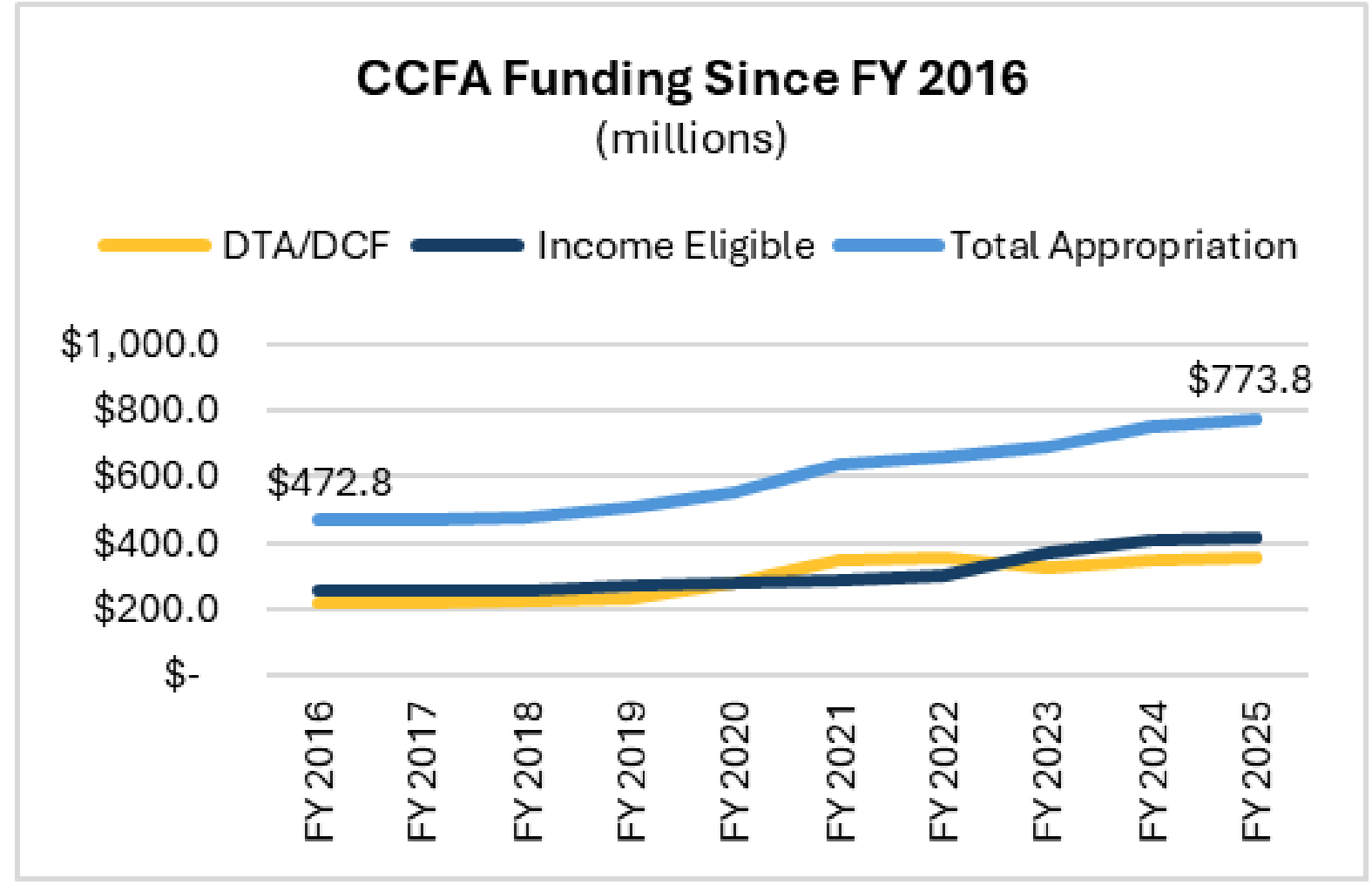


SETTING AN ENROLLMENT GOAL

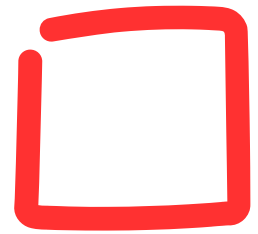
Incorporating a CCFA enrollment benchmark into budget line-item language would allow for a more **strategic** use of resources, **intentional** capacity building, and better **planning**.

In the FY 2025 budget, only \$18 million was included to fund an expansion of the income-eligible program and EEC has stated that given current caseloads and funding levels, **the system is at capacity and access is frozen**.

Age Group	Children on Income-Eligible Waitlist (Aug-2024)
Infant	5,453
Toddler	6,757
Preschool	6,700
School Age	9,466



ENROLLMENT GOAL STATUS



Incorporate specific enrollment benchmark language into the state budget.

Next Step: Include language in the FY 2026 budget that speaks to policy maker goals concerning how many children should be served by CCFA so that funding is more intentionally allocated to meet the goal of increasing access.

WHAT'S NEXT?

CONTINUING TO FOLLOW UP

CCR&R Systems and Technology

**Family Engagement and
Expanding Access**

**Impacts of C3 and
Contract Procurement**



LOOKING AHEAD: WORKFORCE



Compensation & Retention

The Workforce Pipeline

Career Advancement

**Entrepreneurship & Small Business
Support**



**Thank
You!**



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