JANUARY 2023

MASSACHUSETTS TAXPAYERS FOUNDATION

PREPARING FOR CHILD CARE REFORM:

How to Improve the Subsidy System to Maximize Future Investment

PREPARED AND PRESENTED BY

MTF

MASSACHUSETTS
TAXPAYERS FOUNDATION

masstaxpayers.org

CONTENTS

EXECUTIVE SUMMARY

In the last two years, MTF has deepened its engagement in child care policy due to the essential role it plays in creating economic opportunity across the state. Without it, parents cannot enter and remain in the workforce and employers cannot attract the talent they need to sustain and grow their businesses. However, our current child care system is unaffordable and inaccessible for many families, constraining the state's economic growth. MTF's previous research estimated that, due to inadequate child care, Massachusetts loses roughly $2.7 billion a year in lost earnings for employees, additional costs and lower productivity for employers, and in reduced tax revenues. The primary way the state attempts to close gaps in child care access is through subsidies to low-income families. However, our subsidy system only served 49,000 children a month, on average, in FY 2022. Far from the number of families actually in need. Therefore any examination of the state's child care system, or proposals to reform it, must include the foundational structure - the subsidy system.

This paper expands on MTF's previous research by delving into the subsidy system to better understand how it works and where it falls short in effectively serving families and compensating providers across the state. In the last year, conversations on Beacon Hill have shifted from stabilizing the child care system to more comprehensive reform. Although the subsidy system is just one part of the early education ecosystem in Massachusetts, efforts to reform and expand affordable child care are likely to build off of it. Ensuring that the current subsidized system can effectively implement meaningful policy changes should be a priority for policymakers. This will ensure that investments are properly leveraged and lead to better long-term results for residents, early educators, and businesses across the state.

MTF'S RECOMMENDATIONS

HOW WE PAY FOR SUBSIDIZED CHILD CARE:

- **UPDATE THE METHOD FOR CALCULATING REIMBURSEMENT RATES FOR PROVIDERS THAT ACCEPT SUBSIDIES SO THAT IT IS BASED ON THE COST OF PROVIDING CARE.**

  The current market rate approach has not led to increased wages for early educators, stronger financial footing for providers, or additional subsidized slots in the market.

- **PRIORITIZE CHILD CARE SPENDING IN A WAY THAT ALLOWS THE EEC TO MAXIMIZE THE RESOURCES PROVIDED TO IT.**

  Conservative budgeting decisions based on defraying future costs has led to millions of dedicated subsidy dollars being unspent each year.

HOW WE SUPPLY SUBSIDIZED CHILD CARE:

- **UPDATE THE CURRENT CONTRACT FOR SUBSIDIZED SLOTS TO ADAPT TO CURRENT AND FUTURE MARKET NEEDS.**

  The current contract is based on market conditions from over a decade ago and ties the allocation of slots to specific regions and age groups. This prevents the EEC from being able to respond to shifts in demand, limiting the utilization of contracted slots.

HOW FAMILIES ACCESS SUBSIDIZED CHILD CARE:

- **BETTER ALIGN EEC POLICIES WITH THE WORK AND FAMILY ARRANGEMENTS CONSISTENT ACROSS THE POPULATIONS IT SERVES.**

  Always onerous, the paperwork to determine eligibility is not designed with common employment or family conditions in mind, creating delays in accessing care.

- **STREAMLINE PROCESSES AND IMPROVE CENTRALIZED DATA SYSTEMS ACROSS CHILD CARE RESOURCE AND REFERRAL AGENCIES (CCRRS)**

  CCRRs are in charge of the end-to-end process for getting families access to care. The associated administrative burden, in addition to a decentralized system and a lack of data, prevent CCRRs from providing the level of support that many families need in order to access subsidized care.

> **These complications create inefficiencies in the system that lead to lagging enrollment numbers, financially unstable providers, and disruptions and delays in care for families.**

MTF Massachusetts Taxpayers Foundation

The subsidized child care system in Massachusetts is complicated and inefficient. The result of a state-federal partnership, it serves three different eligible populations with two different forms of subsidies and uses multiple funding streams. While some of the complexities within the system are due to the nature of non-entitlement programs, outdated policies play a major role in the system's challenges. These complications create inefficiencies in the system that lead to lagging enrollment numbers, financially unstable providers, and disruptions and delays in care for families. Our recommendations for improving the subsidized system can be organized into three categories: 1) how we pay for subsidized care, 2) how we supply subsidized care, and 3) how families access subsidized care.

MTF's research will next shift to reforming the greater child care system, but policy efforts undertaken by the state need to begin with the subsidy system and the continuation of the Commonwealth Cares for Children (C3) stabilization grants. The success of larger policy reform aimed at expanding child care affordability and access is dependent on a functioning subsidy system that can adequately serve families and providers and put additional resources to effective use. Prioritizing the policy changes above is just the beginning.

INTRODUCTION

The child care system in Massachusetts is in a period of transition. The pandemic, its impact on the child care system, and the federal funding that followed, precipitated two years' worth of investments focused on stabilizing the Massachusetts system through a new funding model made possible by the American Rescue Plan Act (ARPA). However, the formation of an early education and care bill, and historic investments in the FY 2023 Department of Early Education and Care (EEC) budget, signal the potential for more significant policy change. With the new legislative session approaching and efforts shifting from stabilization to reform, Massachusetts has an opportunity to make systemic improvements to better serve families and their child care providers. Although the subsidy system only serves a fraction of the families potentially in need of care, our primary focus should be to address its current shortcomings. Policymakers and administrators must make informed policy decisions now that will help ensure future investments aimed at expanding and reforming the larger child care system can actually be put to efficient use.

To explain how the subsidy system works, this paper first examines the federal funding streams that support states in providing subsidized child care and how those funds impact the dispersal of resources on the ground in Massachusetts. The paper then moves on to outline the structure of the child care subsidy system, who it serves, and how. That is followed by sections dedicated to identifying and explaining the barriers within the system. The paper concludes with recommendations for policy change.

There is no denying that the Massachusetts subsidy system is complex. It is a system with three distinct programs which provide two different forms of subsidies for families receiving child care services in six regions across the state. Adding to the complications is the mix of federal and state resources used to fund subsidized child care in Massachusetts, each with its own unique spending requirements. It should be no surprise then that few understand how the subsidy system operates and why it is structured the way it is. While explaining how it works is a key goal of this paper, so too is elucidating the issues with the subsidy system and potential solutions to improve it. Before we embark on subsidy reform, it is essential that policymakers, advocates, and early education stakeholders have a deep understanding of the existing subsidy system and the challenges that make it unnecessarily difficult for providers and families to access it.

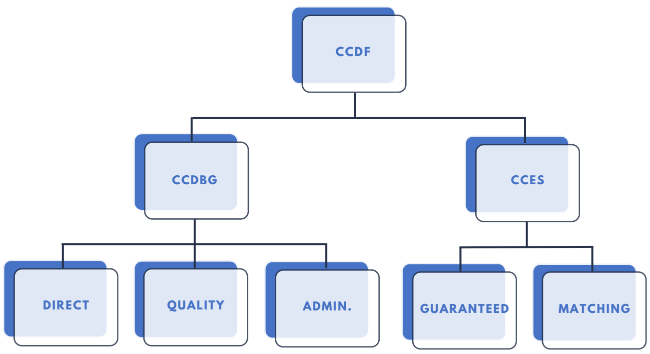
In our research we identified a variety of system challenges that not only delay and disrupt access to care for families, but also generate a disincentive for providers to supply subsidized slots. These challenges range from poorly designed reimbursement rates to outdated contracts to administrative burdens and insufficient technology. Given the flexibility that the federal government awards states in designing their own child care systems, Massachusetts has the ability to address these challenges and improve the system.

FEDERAL CHILD CARE: THE CCDF

The Child Care and Development Fund (CCDF) is the primary funding source for states to administer child care services to low-income families.[1] To be eligible, families must be working or participating in education and training programs and have children under 13 years old. Federal funding for the CCDF totaled to almost $9 billion in 2022.[2] States largely use these funds to provide financial assistance in the form of subsidies to eligible families, but in so doing must adhere to federal standards around child care quality and health and safety. Although states are given flexibility to design child care systems that suit their needs, CCDF does operate as a guiding force. In order to understand the Massachusetts subsidy system – how and why it works the way it does – it is essential to understand how the underlying federal programs may or may not contribute to state policy decisions.

OVERVIEW

The CCDF was established in 1996 by the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and is administered by the U.S. Department of Health and Human Services. Prior to this law, funding for child care for low-income families came from four different revenue streams.[3] Under PRWORA those programs were consolidated into two – the Child Care and Development Block Grant (CCDBG) and the Child Care Entitlement to States (CCES). Both programs authorize different types of funding for CCDF, though they are generally governed by the same rules.



The CCDBG Act authorizes discretionary funds which are subject to the federal annual appropriations process.[4] States must spend at least 70% of these discretionary dollars on direct child care, while 12% is reserved for quality and 5% is reserved for administrative costs. States have two years to obligate these funds and an additional year to liquidate them. Any unspent funds get clawed back by the federal government and redistributed to other states.

A FAMILY IS ELIGIBLE UNDER CCDF IF THEY:

earn less than 85% of their state's median income.

work or participate in an education or training program

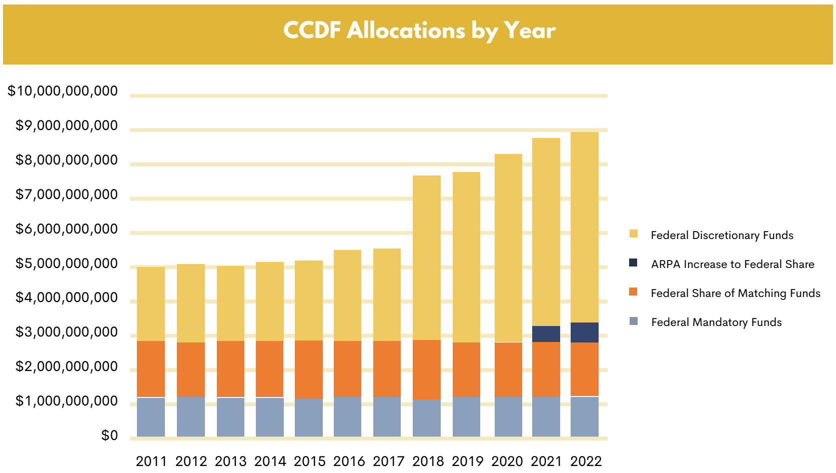
PRWORA authorized the CCES which provides states with mandatory and matching dollars. Mandatory funds are often referred to as "guaranteed" dollars as states do not have to meet any requirements in order to receive them. These funds are a fixed amount based on the level of federal funds that a state received for welfare-related programs either in 1994 or 1995 (whichever is greater). States can also receive Matching funds, but come with Maintenance of Effort (MOE) and matching requirements.[5,6] States must use 70% of mandatory and federal and state matching dollars to meet the needs of families receiving Temporary Assistance for Needy Families (TANF), making efforts to transition off of TANF, or at risk of becoming dependent on TANF.

Table 1. CCDF Spending Requirements

Funding Source	Funding Type	Spending Requirements		
		Direct Service	Quality	Admin
CCDBG	Discretionary	70%	12%	5%
CCES	Mandatory & Matching	70% on TANF families		

FEDERAL FUNDING LEVELS & ENROLLMENT

Historically, CCDF has served only a fraction of the children who are deemed eligible by program rules. Low funding levels have limited enrollment, forcing states to set far more restrictive eligibility requirements than recommended by the federal government. A 2017 analysis by the Government Accountability Office (GAO) revealed that the program only serves about 14% of those eligible under federal rules. In more recent years, funding for CCDF has increased, but so far, have not been able to fully reverse declining enrollment due to years of underfunding.

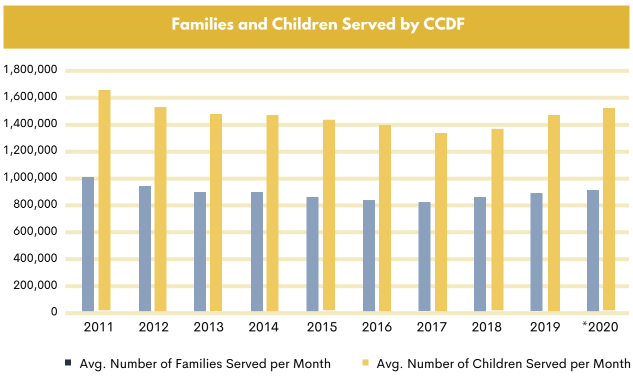


FROM 2011 TO 2017, THE TOTAL CCDF INVESTMENT FOR STATES INCREASED BY JUST 12% OR $601 MILLION, AND WAS LARGELY DRIVEN BY HIGHER APPROPRIATIONS FOR DISCRETIONARY FUNDING:[7]

- **DISCRETIONARY FUNDS INCREASED BY 27%, REACHING $2.7 BILLION IN 2017.**
- **MANDATORY FUNDS HELD STEADY AT ROUGHLY $1.17 BILLION A YEAR SINCE THEY ARE BASED ON FUNDING LEVELS FROM THE MID 1990'S.**
- **FEDERAL MATCHING FUNDS INCREASED BY 1% AND TOTALED TO $1.69 BILLION IN 2017.[8]**

In 2018, appropriations for Discretionary funding increased drastically to $4.8 billion, $2.1 billion over the previous year. A sign of growing federal interest in child care, Discretionary funding continued to climb over the next four years, reaching $5.6 billion in 2022.[9] In addition to these annual increases, three COVID federal relief packages worth $27 billion in total - CARES, CRRSA, and ARPA – included an unprecedented amount of supplemental Discretionary funds for states. Federal Matching funds also increased by over $500 million due to funding changes implemented through ARPA.

The number of children and families served nationally within the program has historically fluctuated with federal funding levels. From 2011 to 2017, the average number of children served in any given month declined by almost 20%, going from over 1.6 million children in 2011 to 1.3 million in 2017.[10] As the federal government has made additional investments in recent years, enrollment has begun to increase, but has not reached the levels once achieved in 2011. A preliminary analysis of 2020 data by the Administration of Children and Families (ACH) estimates CCDF average monthly enrollment at almost 1.5 million children, about 100,000 less than in 2011. Unfortunately, due to reporting lags, it is not yet possible to assess the impact of additional COVID-19 federal relief funds on the number of children served through the program.[11]



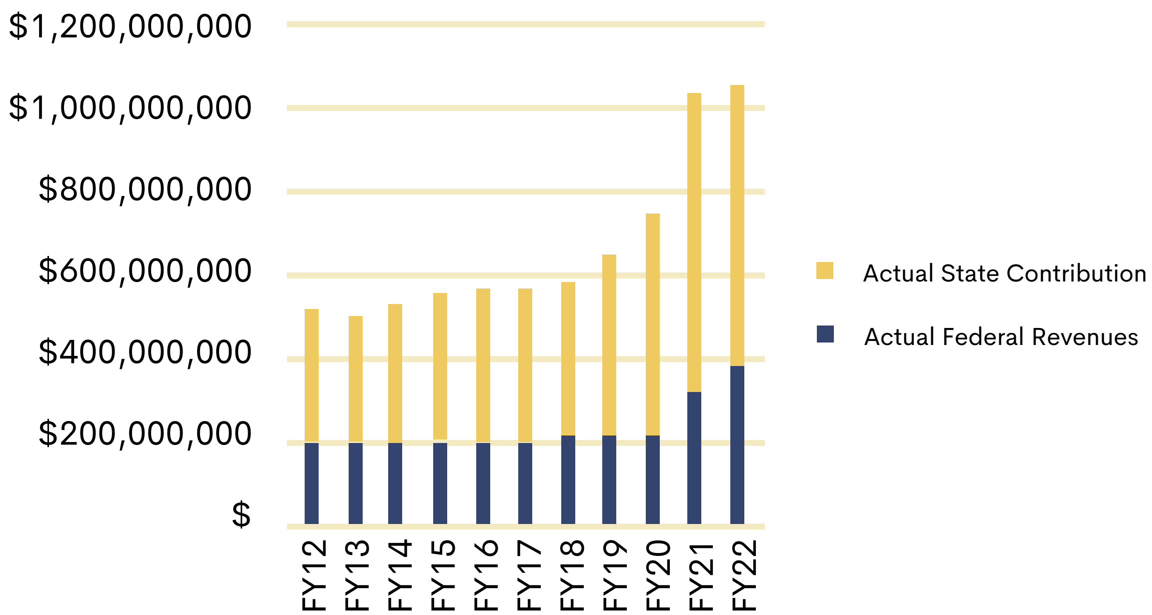
WHAT THIS MEANS FOR MASSACHUSETTS

CCDF allocations to Massachusetts follow national trends. From 2011 through 2017 Massachusetts received between $26 million and $35 million a year in Discretionary CCDF.[12] In 2018, those funds almost doubled to $64 million and have increased by roughly $10 million since, totaling to over $75 million in 2022. Based on the formula from the 1990's, Mandatory funds for Massachusetts have held steady at $45 million. The state has consistently met requirements to maximize their federal share of Matching funds which totaled $39 million in 2022, a roughly $9 million boost due to the policy changes in ARPA mentioned above.[13] The state also received hundreds of millions of dollars in one-time federal COVID-19 relief funds dedicated to child care, but those funds went towards C3 stabilization grants for providers to help cover a portion of their operational expenses, not to directly fund subsidies.

Even with recent increases in federal resources, much of the cost of subsidizing child care is borne by the state. For example, the CCDF helps supplement state spending within the Department of Early Education and Care's (EEC) budget, however, Massachusetts still invests hundreds of millions of dollars of general fund resources into the EEC. In fact, in 2022, 63% of the EEC budget came from state coffers.[14] This is partially due to the fact that EEC's budget has grown in the last few years. From 2011 through 2018, the budget remained between $500 million and $600 million a year. For the first time ever, the EEC budget exceeded $600 million in 2019. Fast forward to 2023, the EEC budget now sits at $1.3 billion, more than doubling in four years.[15]

A majority of the federal and state funds outlined above go towards providing subsidies to eligible families. While the federal government allows access for families with up to 85% of state median income (SMI), federal resources do not come anywhere close to satisfying that level of eligibility. Most states, including Massachusetts, invest a significant amount of their own resources to enable more families to participate in the subsidy system, but still have to set strict income eligibility criteria and prioritize certain high needs populations over others.

EEC Budget by Source: Federal CCDF vs. State Resources



THE MASSACHUSETTS SUBSIDY SYSTEM: HOW IT WORKS & WHO IT SERVES

The Massachusetts subsidy system comprises many different component parts with varying providers, program eligibility requirements, and populations served. As Massachusetts policymakers look to reform the child care system, a comprehensive understanding of how the subsidy system works and who it serves is essential to better meet the needs of children and families. The section below provides an overview of the state's child care programs, including funding and enrollment.

WHAT IS A CHILD CARE SUBSIDY?

Generally speaking, a subsidy is a form of government aid or benefit in order to promote access to economic opportunity. In the context of child care, Massachusetts subsidies come in one of two forms: 1) a voucher which a family can use at any child care provider that accepts them or 2) a reserved slot with a specific provider through a contract with the EEC which families can access. In Massachusetts, providers are able to accept both types of subsidies and many do. Voucher subsidies are common in other states while contracted slots are not, and there are pros and cons to both approaches. Vouchers provide families with maximum flexibility to find the provider that works for them, but exposes providers to potential financial uncertainty because vouchers follow the families that use them. Conversely, contracted slots provide financial stability to the providers that obtain them because of their contractual nature, but are less able to adapt to changing market needs. Vouchers are managed and administered by local non-profits called Child Care Resource and Referral Agencies (CCRRs), while providers with contracted slots have a more direct funding relationship with the state. Providers that accept subsidies are reimbursed by the EEC based on a daily per-child, pre-determined rate. In some instances, families are responsible for a provider co-pay based on their income.[16]

WHO ARE PROVIDERS?

Providers in Massachusetts come in two forms – center-based providers, also known as Group and School Age (GSA) providers, and family child care providers (FCC). Both types of programs are licensed by the EEC, but center-based and FCC providers can choose whether or not to serve families utilizing child care subsidies. Roughly half of all licensed providers in the state accept subsidies, the majority of which are FCCs (63%).[17]

Center-based providers are typically organizations that occupy commercial space, have numerous staff members, and are licensed to serve a large number of children at any given time. On the other hand, FCC providers are smaller businesses typically owned and operated by individuals within their homes and are licensed by the EEC to serve up to ten children at a time. Due to these differences, family child care providers represent 63% of all programs in Massachusetts but only 17% of all seats, compared to center-based providers which represent the remaining 37% of programs and 83% of the supply.[18]

OVERVIEW OF SUBSIDY PROGRAMS

Unlike many other states, the Department of Early Education and Care is the sole agency that oversees all aspects of the child care system in Massachusetts. The EEC oversees the state's early education programs including the licensing and monitoring of almost 7,700 licensed child care programs as well as the management and disbursement of child care subsidies across the over 4,000 providers that accept them.[19] Providers are spread across 6 subsidy regions in Massachusetts – Metro, Metro Boston, Northeast, Southeast, Central, and Western.[20]

The EEC is also charged with interpreting federal rules and designing Massachusetts' subsidized child care programs, including specifying eligibility requirements and priority populations.[21,22] In Massachusetts, providers that accept subsidies serve children who qualify through one of three programs: 1) care for income-eligible families, 2) care for families involved with the Department of Transitional Assistance (DTA), and 3) care for certain families who have active cases with the Department of Children and Families (DCF). Each program is unique in terms of who they serve and how families get access to care (see table 2). In Massachusetts, a family is eligible to initially access income-eligible child care if they earn less than 50% SMI and can remain eligible until their income exceeds 85% SMI. For a family of three this initial eligibility threshold equates to just over $57,000 a year.[23] However, due to limited funding for even these families, all eligible families are put on a waitlist prior to receiving income-eligible care.[24] As of February 2022, there were roughly 16,555 children waiting for a child care subsidy, with 64% of them being infants, toddlers, and preschoolers.[25]

Unlike income-eligible families, DTA and DCF families are entitled to care at no cost, and therefore, are not put on a waitlist to access care; however, due to the limited supply of child care seats, it is quite possible that a family referred to child care via DTA or DCF may not immediately receive it.

Table 2. Massachusetts Child Care Programs

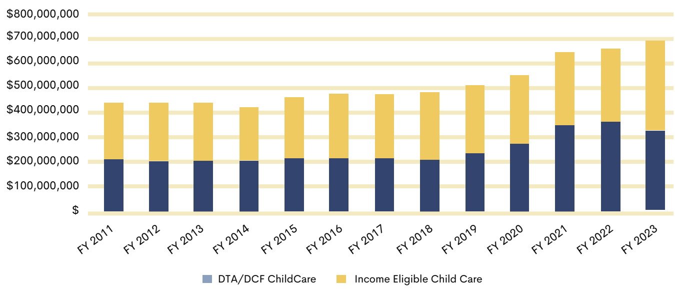
	Income Eligible Child Care	DTA Child Care	DCF Child Care
Population	Children in low-income households.	Children in families involved with the Department of Transitional Assistance.	Children in families involved with DCF.
Eligibility	Families are initially eligible if their household income is less than 50% SMI but can earn up to 85% SMI at renewal. Parents must be working, in school, or involved in a training program.	Families on or transitioning off of cash benefits and engaged in a work approved activity; families on the Supplemental Nutritional Assistance Program (SNAP) who are engaged in a "path to work" activity.	Children in families involved with DCF.
Timing	Families are typically eligible for 12 months at which point their eligibility gets reassessed.	Families are eligible while they are on cash benefits, but can remain eligible for a one-year transitional and one-year post-transitional period after cash benefits close.	Families are eligible while they have an active case with DCF and for one-year after the case closes.
Access Point	Families typically get access to care through regional CCRRs or contract providers.	Families are typically referred to subsidized child care through a DTA social worker.	Families are typically referred to subsidized child care through a DCF social worker.
Subsidy Type	Vouchers and contracted slots.	Vouchers only.	Vouchers and contracted slots.

FUNDING AND ENROLLMENT

As was the case for the CCDF, in the years prior to the pandemic, total state funding for subsidies remained relatively flat. From FY 2011 to FY 2019 the EEC budget for subsidies increased by $64 million (15%). [26] However, in the four years since FY 2019, funding for subsidies increased by almost three times that amount ($189 million), spurred by the impacts of the pandemic and an increased policy focus on early education and care. The EEC budget for subsidies is divided into two separate line items - roughly 45% of the subsidy budget goes towards DTA/DCF care combined, while the remaining 55% funds income-eligible child care. While state investment has increased drastically in recent years, the additional purchasing power has not translated to more children being served overall, leaving families and employers without a system that meets their needs. In addition to pandemic-induced labor shortages and a decline in the overall supply of child care, challenges related to the efficient use of vouchers and contracts are one of the main reasons why more children are not served through these programs.

Since 2011, the EEC has served roughly 54,000 children a month, on average, through its three child care programs.[27] While we don't have the exact number of eligible children in the state, there are roughly 300,000 children under 6 years old in Massachusetts with both parents in the workforce who could potentially need care. A majority of the total children served receive care through the income-eligible program, which enrolled approximately

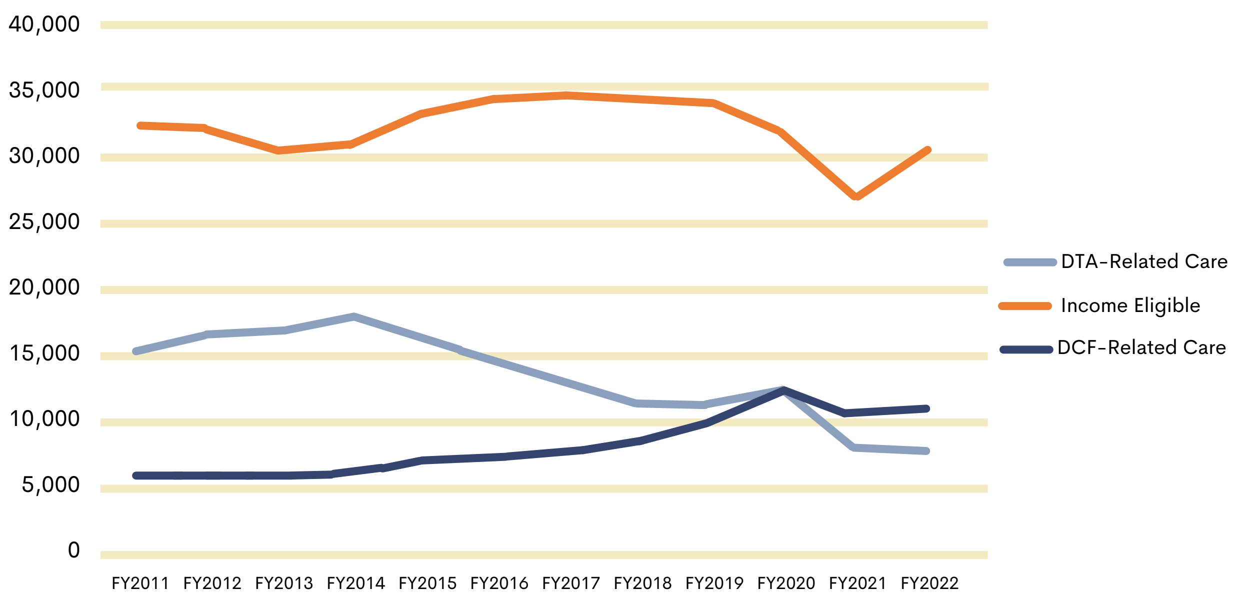
Funding by Subsidy Line Item



32,000 children a month, on average, over the past 12 years. The DTA and DCF programs tend to serve fewer children, and averaged out to roughly 13,000 and 8,000 children a month, respectively.[28]

Enrollment for each of the three programs has fluctuated in recent years. The number of income eligible children served per month remained relatively flat in the years just prior to the pandemic, but have declined since and not returned to pre-pandemic levels. In comparison, the number of children served through the DTA program was declining prior to the pandemic and is now at a historic low, serving under 8,000 children on average in FY 2022. Meanwhile, the DCF program has seen consistent growth, almost doubling since 2011 and serving just under 11,000 children in FY 2022.[29] Just over 16,200 of the children served through those three programs in FY 2022 were in a contracted slot, while the rest were served through vouchers.

Children Enrolled by Program



A Family's Journey to Access Care: Obtaining an Income-Eligible Voucher

The example below is meant to provide a sense of the process that an income-eligible family must go through in order to obtain care. It is based on the voucher process and does not incorporate unique steps associated with being placed into a contracted slot. The steps below reflect EEC policy, but also the experiences of CCRRs who closely work with families to get access to subsidized care.

An income eligible family is seeking child care support:

Step 1:

Family gets in touch with their regional CCRR or calls Mass211.

Step 2:

CCRR or Mass211 conducts initial eligibility assessment (family size and income).

Step 3:

CCRR or Mass211 adds family to the waitlist for child care if they meet minimum requirements.

Family is first on the waitlist and a voucher becomes available:

Step 4:

CCRR issues a Financial Assistance Letter (FAL) that is sent to the family who has 15 days to respond.

Step 5:

Initial eligibility check is conducted again to see if anything has changed from when they were initially put onto the waitlist.

Step 6:

CCRR provides potential child care options, family contacts providers to see if a spot is available.

Step 7:

If no spot is available, family gets put into pending enrollment status for 30 days, after which they are put back on the waitlist with their original waitlist date.

Step 8:

Family has found a provider that accepts vouchers/has an open spot and completes necessary paperwork:

- PROOF OF INCOME
- PROOF OF SERVICE NEED ACTIVITY (EMPLOYMENT, EDUCATION, OR TRAINING PROGRAM)
- PROOF OF ADDRESS (E.G., UTILITY BILL, CAR REGISTRATION)
- PICTURE ID OF ALL ADULTS IN THE HOUSEHOLD
- BIRTH CERTIFICATES, SOCIAL SECURITY CARDS, OR OTHER DOCUMENTS AS NEEDED BASED ON HOUSEHOLD COMPOSITION

Step 9:

CCRR gets secondary authorization from different staff member to re-check submitted paperwork.

Step 10:

CCRR generates the voucher, issues a fee agreement and application, all signed by the family.

Step 11:

Family gets access to child care.

Depending on the authorization type, families must resubmit the proof of residency, activity, and income paperwork at either the 6-month or 12-month mark.

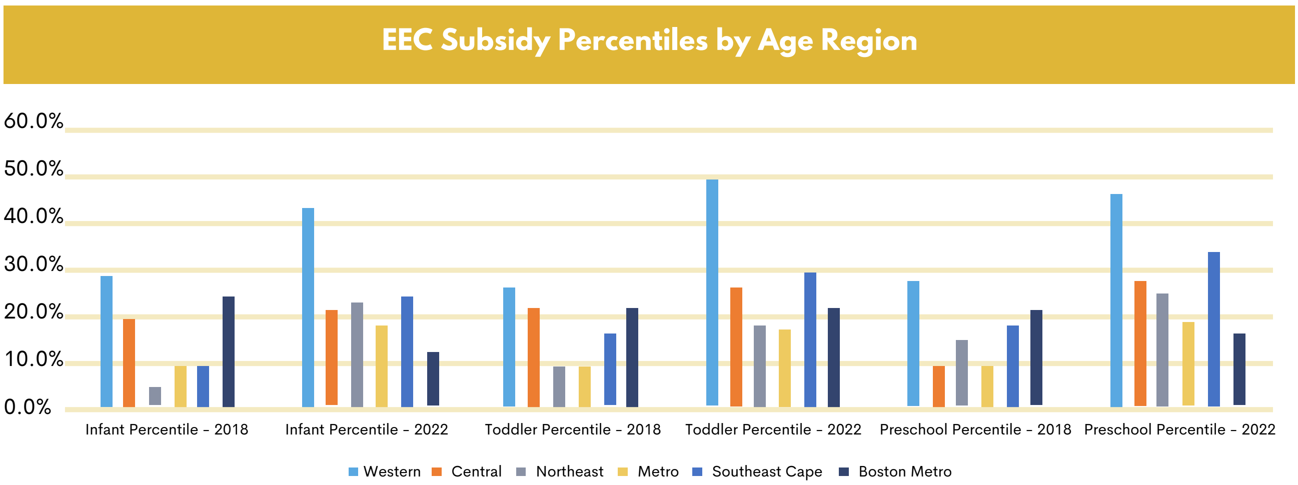
THE MASSACHUSETTS SUBSIDY SYSTEM: HOW IT IS IMPLEMENTED AND ITS CHALLENGES

The section above describes the basic structure of the state's complicated subsidized child care system. Those complexities, and the challenges they create, only deepen when examining how the system works in practice. The sections below outline the most important challenges within the system and in doing so reveal a system that is overly complex, offers too few tools to navigate, and is rife with inefficiencies that burden families and providers. The result is potential financial losses for providers and delays and disruptions in needed care for families. With flexible federal standards and more resources than ever before, Massachusetts has the authority and ability to make important changes to the system.

How We Pay for Child Care Supply – Reimbursement Rates

The rates at which providers are reimbursed for accepting subsidies is a much debated topic. Many states, including Massachusetts, set reimbursement rates based on a Market Rate Survey (MRS) which the federal government mandates that states conduct every three years. The survey collects information from a sample of providers about what they charge for care based on the region they are located and the age of the children they serve. In other words, the survey determines market rates, or what families can afford in any given region. The federal government recommends that rates be set at the 75th percentile – meaning families with subsidies should be able to access 75% of the seats in the private market within a given region. However, based on the funding available and the broad flexibility to set their own rates, many states, including Massachusetts, don't come close to meeting the 75th percentile goal. According to an analysis conducted by the Health and Human Services Office of Inspector General, only seven states set rates in line with the federal government recommendation. [30]

According to the 2018 MRS, Massachusetts' center-based rates were below the 50th percentile for all ages and in all regions of the state. [31, 32] This means that reimbursement rates would allow a family to afford less than 50% of the center-based seats in their region. Rates have improved due to $80 million in investments between FY 2019 and FY 2022, but a majority are still below the 50th percentile. [33, 34] According to the state's 2022 MRS, infant rates are as low as the 13th percentile ($85.68) in the Metro Boston region and as high as the 43rd percentile ($65.71) in the Western region. Only one category – toddlers in the Western region – actually hit the 50th percentile ($60.26), while the rest of the regions rates are below the 30th for that age group. However, the market rate percentiles belie the true story in each region. Since the MRS is based on a limited survey that collects the prices that families can afford for child care, it is blind to the services being provided and their associated costs. What a family can afford often changes depending on where they live. For example, in Franklin County the median family income is just over $67,000 while in Suffolk County it is $76,000. [35] This means that reimbursement rates are typically higher in more affluent regions and lower in less affluent ones, as they attempt to cover the prices that families are paying for care.



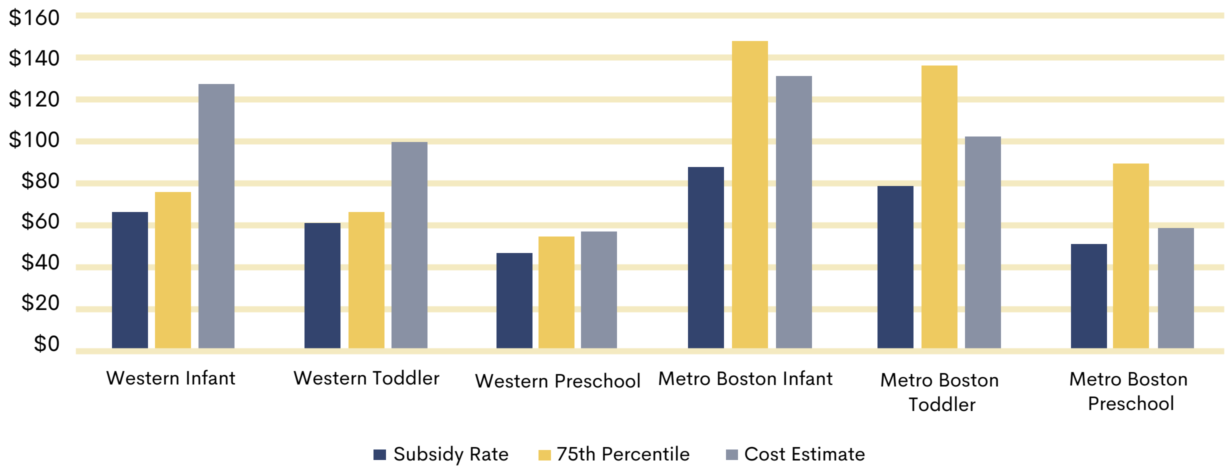
In recognition of the imperfect design of an MRS, the federal government grants states flexibility to come up with an alternative methodology for determining rates. The EEC recently took steps to adapt its methodology by doing a preliminary cost of care analysis in order to compare it to the MRS findings and determine the gap between the two. This preliminary analysis revealed the inherent challenges and equity issues that come with an MRS. In Western Massachusetts, the toddler subsidy rate is at the 50th percentile or $60.26, far from the estimated cost of care at $100. In Metro Boston, the subsidy rate for toddlers is much higher at roughly $80, but it only represents the 22nd percentile. However, with the cost of care in Metro Boston estimated at $104, the 22nd percentile actually covers far more of the cost. For instance, if Metro Boston got to the federally recommended 75th percentile it would exceed the cost of care, whereas in the Western region the 75th percentile is still well below the estimated cost of care. Families and providers in lower-income regions are therefore being trapped in a continuous cycle of lower rates, keeping them farther away from achieving financial stability and affordability within the market.

How We Distribute Supply – Contracted Slots

Contracted slots are added to the subsidy system through a procurement process which includes the issuance of a Request for Responses (RFR) for providers. RFR's for contracted slots are divided into two groups – one for income-eligible slots and one for slots that support priority populations (DCF families, teen parents, and families experiencing homelessness). Providers apply to become a contract provider, and are chosen to supply contracted slots at their respective programs, based on a host of priorities and principles set forth in the RFR. Attempts to update the contracts have been delayed due to leadership transitions, federal policy changes, and the pandemic. The current contracts are roughly 12 years old and were structured in a manner that has long created problems within the child care system. The result has been a patchwork of policies aimed at addressing the RFR's shortcomings, but an out-of-date and problematic system remains in place.

> **FAMILIES AND PROVIDERS IN LOWER-INCOME REGIONS ARE THEREFORE BEING TRAPPED IN A CONTINUOUS CYCLE OF LOWER RATES, KEEPING THEM FARTHER AWAY FROM ACHIEVING FINANCIAL STABILITY AND AFFORDABILITY WITHIN THE MARKET.**

Subsidy Rates vs. Market Rates vs. Preliminary Cost Estimate



The largest issue with the current RFR is the specificity with which the slots are allocated. The income-eligible contracts are allocated based on the EEC region, program type (FCC vs. center-based), and the age of the child (see table 3). The contract for priority populations is even more specific, allocating slots based on certain towns within a specific EEC region. While these contracts were clearly meant to target specific areas of the system that needed support, it has made the agency unable to move contracted slots to different regions or re-allocate existing slots to different age groups based on changing needs. While contracts give providers financial stability because they are fixed in place, their inflexibility, especially as currently designed, make them unresponsive to the demands of the market. This is especially true when a contract is over a decade old.

The EEC made policy changes to try and address the inefficiencies of the current RFR by allowing providers to go above the cap on their existing contract. For instance, if a provider has a contract for three infant slots and five toddler slots, they can choose to enroll as many children above and beyond that as they'd like. However, they cannot serve children in age groups not specified within their contract, leaving them unable to fill slots purely based on need. In FY 2022, roughly 75% of our contracted slots were utilized, meaning that at any given time a quarter of all the contracted slots in the state remained unfilled. Supply and demand mismatches are a likely culprit.

The specificity of the contracts also bring complications when a child ages up within a contracted slot. If a provider's contract does not include that new age group, the family must transition to a voucher-based subsidy (i.e., a child ages out of their preschool slot and now needs after-school care). In an ideal scenario, the family would be aware well in advance that their child is soon to age out of the slot and would work together with their provider to get referred to a CCRR and obtain a voucher. In reality, this type of coordination and planning often does not occur. The end result can be a last minute, stressful scramble, and in some cases may lead to gaps in service if a voucher is not currently available. In these situations the EEC does its best to try and ensure continuity of care by giving families two options: 1.) a family can automatically go 60 days without a placement for their child and return to the subsidy system without issue and 2.) the parent can request a 90 day Approved Break in Care, essentially putting their subsidy on hold until they can find a placement. In both situations, though, the child is without a formal care arrangement, potentially risking parental employment and disrupting the stability and routine that the child needs to thrive.

Contracted slots bring a lot of benefit to the system. However, the current organization of contracts has led to gaps in service for high-needs children and more work for providers, families, and subsidy administrators. The policies that the EEC have put in place to address issues with the current contracts are short-term solutions to a poorly designed system. Longer-term policy change and planning is necessary to deliver a system that allows families to access and obtain care quickly and with minimal disruptions. The EEC is actually in the midst of redesigning the RFR to better leverage contracted slots, with plans to put it out in the field in the first half of the New Year. However, changes in administration could delay the process.

Table 3. Allocation of Income Eligible Contracted Slots

	Center-based Providers			Family Child Care System		
Region	**Infant-Toddler**	**Preschool**	**School-age**	**Under Two**	**Over Two**	**Regional Total**
Western	283	1,011	579	105	164	2,142
Central	75	382	290	228	268	1,243
Northeastern	92	920	871	281	427	2,591
Metro Boston	77	737	527	130	223	1,694
Southeastern	177	1,054	922	144	211	2,508
Boston	422	2,109	775	315	416	4,037
Statewide Total	1,126	6,213	3,964	1,203	1,709	14,215

Source: EEC 2009 RFR

How We Connect Families to Care – Child Care Resource and Referral Agencies

Child Care Resource and Referral Agencies (CCRRs) were developed around the country in the 1960's and 1970's in order to provide resources and help families connect to care as more women began joining the workforce. In 2014, as part of the reauthorization of CCDBG, Congress recognized the important role that CCRRs played by allowing CCDF funds to go towards establishing or supporting a system of child care resource and referral organizations. If states use CCDF funds for those purposes, they must be spent on priorities like collecting data, providing consumer education, establishing partnerships with providers, and working with families to find the child care that meets their needs. In Massachusetts, CCRRs are being asked to do that, and more.

CCRRs perform a critical role within the Massachusetts subsidy system, operating as key conduits between families, providers, and the state. When structured and resourced properly, CCRRs do this work well. However, in Massachusetts, many struggle to provide the level of attention providers and families deserve due to administrative burdens, ineffective data systems, and a decentralized structure. The federal government gives states flexibility to utilize CCRRs how they see fit, offering Massachusetts plenty of room to improve the current CCRR system.

In contrast to the active support role envisioned in CCDF, CCRRs in Massachusetts play much more of an administrative role. They are subsidy administrator's first, educators and outreach coordinators second. They onboard child care programs to the system, determine family eligibility, administer subsidies, disburse reimbursements, manage waitlists, and enforce EEC policies. Almost all of their time is dedicated to enforcing those EEC policies and procedures, much of which are onerous and complex, as evidenced by the 140 page EEC manual for subsidy administrators. This level of detail is difficult to keep up with, leaving the CCRR staff with insufficient time and resources to get families the services they need, when they need them.

The outsized role that CCRRs play in administering subsidies in Massachusetts in addition to resource and technology constraints, means other areas of their work suffer. The subsidy system serves some of the most vulnerable families in our state, who may have unique needs, speak a variety of languages, and need a higher level of support to access care that CCRRs can sometimes struggle to provide. For example, when a family is taken off of the waitlist, they work with CCRRs to obtain a list of providers in their area that might have spots open. Families are then tasked with contacting these providers until they find one that accepts subsidies and has an available seat. The reasons for this are twofold: 1) CCRRs do not have the resources or staff capacity to reach out to providers on behalf of families and 2) CCRRs do not have the technology or the data to be able to refer a family to a subsidized provider that they know has spots available. This means families are left to spend hours searching for care that may never materialize, potentially ending up back on the waitlist.

The current decentralized structure amplifies these challenges. While CCRRs try to have standard processes across all six organizations, differences in staffing levels, procedures, and workflows mean that the family experience in one region may not look the same as in another. Although having CCRRs organized by region enables these agencies to meet families where they are and address their unique needs, a lack of resources and standard processes undermines these benefits. The result is all too familiar, more work for families and less time actually accessing the care they need.

How Families Access Care – Policies, Procedures, and Administrative Burden

With any government benefit supported by finite resources, ensuring that those resources are spent on the intended population is critically important. However, maintaining program integrity must be balanced with a system that is straight forward and easy to navigate, especially when that system serves a diverse population with a variety of different needs. Far from family-friendly, the current administrative elements of the system often put unrealistic expectations on families that many struggle to meet. The subsidy system is made up of a multitude of policies, regulations, and paperwork requirements, many of which have been layered on top of each other over time without regard for how they may interact. The result is a system that prioritizes enforcement over access, overburdening families, and delaying the use of much needed child care services. In recognition of this, the EEC recently proposed regulation changes to more prominently center the family experience. Some of the examples below are current areas of interest for the EEC while others provide additional opportunity for the agency to adapt.

> **"THE SUBSIDY SYSTEM IS MADE UP OF A MULTITUDE OF POLICIES, REGULATIONS, AND PAPERWORK REQUIREMENTS, MANY OF WHICH HAVE BEEN LAYERED ON TOP OF EACH OTHER OVER TIME WITHOUT REGARD FOR HOW THEY MAY INTERACT. THE RESULT IS A SYSTEM THAT PRIORITIZES ENFORCEMENT OVER ACCESS, OVERBURDENING FAMILIES, AND DELAYING THE USE OF MUCH NEEDED CHILD CARE SERVICES."**

One of the major steps families have to take in order to determine their eligibility for a child care subsidy is providing proof of their income. While potentially straight-forward for a parent working a job that provides a W2, the verification requirements are not well designed for other employment arrangements common among eligible families, such as multiple jobs, contract work, or self-employment. Self-employment verification is particularly difficult as parents must report their earnings for the previous three months, provide federal tax filings and federal tax transcripts, and submit business receipts including gross receipts, purchases, and expenses. This overly complex process is more work for CCRRs, but also more work for parents that lead to delays in getting access to care.

In addition to providing proof of income, parents applying for a subsidy also need to prove the composition of the family.[36] In order to do so, parents must complete a household composition statement and provide birth certificates for each child under 18 in the household, regardless of if they are the ones receiving care.[37] While this may seem like a benign exercise, outdated procedures overcomplicate the matter. For example, many single parents with children under three must provide proof of where the second parent lives if they are also listed on the birth certificate.[38] Given that one-third of children in the state live in a single-parent household, this policy seems poorly designed for the variety of family structures served within the system.[39] The challenges that may come with getting the additional supporting documentation means parents spend more time trying to get access to care, potentially making it difficult for them to obtain or maintain their employment, education or training program.

In most cases, once a family gets authorized for child care and a spot becomes available, they are eligible for a 12-month period and must recertify their eligibility annually. However, there are also instances in which families are required to report certain changes in circumstances while in the midst of their 12-month authorization. These are called temporary and non-temporary changes and include the birth of a new child, a change in income, the loss of employment, or a reduction in work/education hours, to name a few. Families are required to report these changes within 30 days, which often comes with additional paperwork. In most instances the EEC allows the family to maintain their subsidy until at least their next reauthorization period, making the policy potentially unnecessary. Although parent fees could theoretically change (either increasing or decreasing), the short-term difference may not warrant the additional burden placed on families. Given the number of EEC policies and procedures, it is also quite possible that many families are completely unaware of these reporting requirements. Further, if a family is found to have not reported a temporary or non-temporary change it can result in an Intentional Program Violation (IPV) which operates in tiers, but could mean being disqualified from the program for a year or more if more than one infraction takes place. Policies that punish families for their inability to meet unattainable standards only serves to undermine programmatic effectiveness.

How We Manage Subsidy Finances

The nature of subsidized child care in Massachusetts creates challenges for budgeting from year to year. Since child care programs are based on annual appropriations, spending decisions are not only affected by what is available in the current year, but a lack of certainty about what might be available in a subsequent year. For instance, increasing enrollment and fully utilizing subsidies in the second half of the fiscal year leads to greater costs in the following year when those costs get annualized. If future resources are unknown, there is a hesitancy to make spending decisions that could lead to expenses that potentially exceed future appropriated amounts. Outside of budgeting constraints, the limited supply of subsidized slots also creates challenges. The ability for the EEC to utilize a voucher is dependent on there being an open slot for an eligible family in the area in which they live or work. Efficiently allocating subsidies was a challenge prior to the pandemic and has only become more pronounced as overall child care supply has diminished across the state.

Spending decisions aimed at avoiding future cost obligations delays the use of available vouchers and creates a negative feedback loop resulting in underspent subsidy accounts. The EEC has consistently not spent all available resources for subsidized child care in a given year, with unspent resources either returning to the General Fund or moving into the next year's appropriation. Between FY 2012 and FY 2020, roughly $10 million dollars in subsidy funding was carried into the next year's budget, while another $10 million was unspent and reverted back to the General Fund.[40] This pattern makes future spending increases less substantial, effectively lowering the benchmark that the next year's budget is based on. Not fully expending the funds available in combination with not serving more children year over year adds to a particularly problematic trend.

As described above, this multifaceted system operates well in some areas, but struggles in others. As future investment in the system is considered, it is imperative that policymakers and program administrators understand the system's deficiencies and the potential solutions to fix them. With that in mind, the next section puts forth some policy recommendations to address the challenges articulated throughout this paper.

Table 4. Unspent Subsidy Funds by Year

Year	Subsidy Budget	Total Available to Spend	Total Subsidy Spend	Remaining Funds
2012	$422,804,829	$442,804,829	$430,870,904	$11,933,925
2013	$434,697,067	$434,697,067	$419,904,908	$14,792,159
2014	$419,395,686	$442,231,107	$428,554,827	$13,676,280
2015	$455,102,035	$468,091,392	$454,076,093	$14,015,299
2016	$472,852,376	$477,923,049	$462,858,842	$15,064,207
2017	$471,870,409	$484,370,409	$459,860,272	$24,510,138
2018	$477,487,882	$506,020,878	$481,690,460	$24,330,418
2019	$505,934,569	$545,231,672	$518,791,281	$26,440,391
2020	$552,467,456	$624,342,044	$599,127,657	$25,214,388
2021	$637,631,793	$645,336,339	$645,336,339	$0
2022	$657,631,793	$607,740,928	$607,740,928	$0

POLICY RECOMMENDATIONS

A primary goal of our subsidized child care system is to allow low-income parents to enter and remain in the workforce in order to help families achieve financial security and independence from government benefits. The structure of the current subsidy system falls short at promoting these goals by delaying and disrupting access to care. Momentum for child care reform is as high as it's been since the creation of the EEC over 15 years ago and improving the subsidy system to make efficient use of current resources is an important step in developing a more affordable and accessible child care system. The EEC has been actively pursuing areas of the subsidy system that need improvement; some of our recommendations below build upon that work while some move into new directions. The recommendations below are not exhaustive and mostly align with the challenges presented earlier in this report, but do include other elements that could complement the subsidy system.

Improving How We Pay For Child Care

The current method for establishing reimbursement rates is not working. Decades of rate increases have not resulted in more financial stability for providers nor have they meaningfully increased the supply of providers willing to take subsidies. In fact, providers accepting subsidies has been in decline since before the pandemic - there are 324 fewer licensed providers accepting subsidies now then there were in 2015, the earliest year data was available.[41] The evidence is clear: we need a new model to determine rates. For the first time, the EEC conducted a preliminary cost of care analysis to help better understand how and where rates were falling short. While the preliminary cost analysis was a critical step in the right direction, further efforts to integrate the cost of care methodology into the rate setting process should be a focus in the months ahead.

> **"PROVIDERS ACCEPTING SUBSIDIES HAS BEEN IN DECLINE SINCE BEFORE THE PANDEMIC – THERE ARE 324 FEWER LICENSED PROVIDERS ACCEPTING SUBSIDIES NOW THEN THERE WERE IN 2015, THE EARLIEST YEAR DATA WAS AVAILABLE."**

The cost of care analysis uncovered that while rates are not sufficient to cover costs in all regions of the state, the problem is particularly acute for more rural, lower-income areas. In the immediate term, the cost of care results could be utilized to more efficiently distribute resources and target them in the areas where rates are farthest from covering the cost. Although this would be an improvement over previous rate increases, it is not the transformative change that the system needs to adequately support and incentivize providers into the subsidy market. Massachusetts could adopt the approach taken in New Mexico and the District of Columbia (D.C.) and seek federal approval to determine rates solely based on provider costs. However, being able to move to a cost of care methodology is also dependent on appropriations set forth by the legislature. Understanding what it costs to provide child care must be paired with additional investment in order to make a meaningful difference

Better Utilizing Supply

Contracted slots serve a useful purpose in the system by providing child care programs with financial stability and allowing for a repository of available subsidized child care seats. In addition, since providers only get reimbursed if their contracted slots are filled, there is an inherent incentive to maximize their use. However, the current outdated and inflexible contract for subsidized slots leads to underutilization of crucial resources meant to serve low-income families and children in need of child care services. Restructuring the RFR to address the current challenges in the system while making sure it is consistently updated to better meet the market need should be a priority for policymakers and the new administration in the upcoming fiscal year.

The current allocation of contracted slots is 1) based on market conditions over a decade ago and 2) tied to specific regions and the age of the children potentially being served. Updating the RFR is an opportunity to allocate slots based on the current market conditions and more recent distribution of children and families across the state. It is also important that the next RFR be designed to maximize agency flexibility so that the system can adapt to changing market conditions over time. For example, the agency should have the discretion to move contracted slots that go underutilized for an extended period. Although the RFR process should be mindful of providers who depend on a consistent funding stream, keeping contracted slots in areas where they cannot be maximized is a waste of resources and provides little to no financial benefit to providers.[42] Lastly, removing the current age-based allocation structure could unlock opportunity and create a system more responsive to demand.

Better Serving Families & their Children

CCRRs in Massachusetts are far from the active support function intended by the federal government. Their main role in the state is to administer subsidies and enforce EEC policies, giving them little capacity for outreach, education, and support. On top of being overburdened with administration, they are also not properly resourced, lacking the tools they need to better serve families across the state. Combine that with a decentralized structure and issues of equity arise as families in different regions of the state get different levels of CCRR support. These challenges impact the CCRRs workload but also the experience families have in trying to access care.

The administrative requirements currently borne by CCRRs make it difficult for them to provide essential services – outreach, education, and provider and family engagement. CCRRs enable the EEC to manage vouchers across the state, but the EEC doesn't have the tools or systems to make that process work well. CCRRs essentially do all of the administrative work associated with getting a family and a provider into the subsidy system, while the EEC primarily takes the role of funder. While the EEC is working on streamlining paperwork and procedures, it might not be enough to create a consistent CCRR system in line with their intended role. Policymakers and administrators should consider assessing if this is the right model moving forward and where administrative processes can either be centralized or automated through interagency data sharing agreements.

Additionally, one of the largest challenges faced by CCRRs is a lack of data. CCRRs do not have the ability to understand if the subsidized providers in their region have slots available. This results in CCRRs being unable to appropriately support families who need it, transferring the burden onto them. Additional investment should be made to update current data systems or invest in entirely new ones that better serve CCRRs and therefore families and their providers. C3 stabilization grants offer up an opportunity to incentivize providers to share important data points that could help streamline access to care. However, data collection efforts would need to be carefully considered as providers often face administrative burdens with the subsidy system themselves.

Lastly, although there are benefits to organizing a CCRR network by region, it also leads to significant differences in terms of processes, staffing numbers, and resource allocations. These differences can impact the level of support that they each provide to families and create inequities in the system. Ensuring that CCRRs can be flexible to meet the specific needs of families in their region is essential, but should come with at least a baseline level of service across all organizations. Implementing a survey to better understand CCRRs current capacity, processes, staffing models, and the differences across them could be a helpful first step. However, the family perspective is equally as important. A CCRR survey should be paired with engaging families about their needs and preferences to best identify the current gaps and solutions to fill them.

> **"On top of being overburdened with administration, they are also not properly resourced, lacking the tools they need to better serve families across the state."**

Improving How Families Access Child Care

The current subsidy system is not well designed to account for common work arrangements or a variety of family compositions. In addition, requirements for families to update the EEC about changing life circumstances do not align well with the typical 12-month authorization timeline. The EEC recently proposed numerous regulation changes to shift their role from predominately focusing on enforcement to one that maintains program integrity while also promoting family-friendly policies. This is important work that must continue in the months and years ahead to avoid repeating past mistakes.

OUR IMMEDIATE POLICY RECOMMENDATIONS, SOME OF WHICH INCLUDE EXISTING EEC PROPOSALS, ARE AS FOLLOWS:

- **Remove the need for families to report temporary and non-temporary changes in the midst of their 12-month authorization, unless that change includes earning income above 85% SMI.**

- **Reassess program integrity policies to promote family-friendly experiences and ensure they are designed with common work and family arrangements in mind; shift the focus of program integrity policies to areas with large fiscal impacts.**

- **Streamline the process for determining income eligibility, especially for families with self-employment income. This includes seeking opportunities for interagency agreements, such as with the Department of Revenue, which would allow for automatic eligibility checks.**

- **Align DTA and DCF policies and procedures with EEC's to streamline the referral process and avoid paperwork redundancies for families.**

More Efficient Use of Resources

Given the unmet need for child care, policymakers must prioritize child care spending in a way that allows the EEC to maximize the resources provided to it. One potential way to do this is to provide greater clarity on the expectation for the number of children served each year with the funding appropriated. If funding was appropriated based on an enrollment benchmark it would give the EEC the authority to utilize a greater number of vouchers and contracted slots throughout the entire year. However, thoughtful consideration would need to be given to that enrollment expectation as to not set unrealistic goals or thresholds that don't allow for a level of expenditure that is at least close to the full amount of allocated funds.

Although more efficient spending could help bolster the number of children served, additional federal investment is also necessary to expand access. Currently, the state supplies a majority of the resources allocated to early education and care. While federal investment has increased in recent years, it has not kept pace with state investment and falls far short of the level necessary to transform and expand child care systems across the U.S. Increased federal funds must also play a role in expanding and improving the subsidized child care system in Massachusetts.

Maximizing the Power of C3 Stabilization Grants

Although the C3 program is designed to serve both private pay and subsidy providers, and should continue to do so, it has positively impacted the subsidy system. In an EEC survey of providers enrolled in C3 grants, 65% currently accept families with subsidies.[43] The program has been successful in stabilizing the system by allowing funds to be used for operational costs like existing payroll expenses, rent, mortgage payments, utilities, and program maintenance. As the state shifts from focusing purely on stabilization to more long-term reforms, C3 is an important policy lever moving forward.

C3 grants offer the state an opportunity to achieve policy goals beyond stabilization. As MTF noted in its recent paper, "Innovative Federal Relief Spending on Child Care: How MA Stacks Up," the state should integrate additional incentives into the program to improve quality, collect better data, and increase the supply of subsidy seats at new and existing providers. For instance, while providing more investment to improve and expand the system is a worthwhile endeavor, the effectiveness of that investment is dependent on the number and location of subsidized seats in the market. Many CCRRs across the state reported that funding for vouchers was not the main barrier to getting children off the waitlist, but rather the availability of slots within their region. Tweaking the C3 program to increase subsidy supply and promote data collection to understand how that supply is shifting over time is an important first step.

One way policymakers could better capitalize on the effects of the C3 program is by putting it into statute. While the program was funded fully in its first year, since then the legislature has provided funding in 6-month intervals. The FY 2023 budget funded the program through December 2022 and months later the economic development bill supplemented that investment to get the program at least partially through the current fiscal year. Committing to the C3 program going forward will provide certainty to the field and allow for subsidized child care dollars to be spent more efficiently and effectively. While program data shows that providers are spending the grants on increasing salaries, a quarter of center-based programs reported they were unable to serve their full licensed capacity because of unfilled staff positions.[44] Leaving the future of C3 uncertain by funding it in increments could be creating a disincentive for more providers to put the grants towards hiring, improving benefits, or raising salaries that might attract and retain educators. Codifying C3 into law, in addition to providing annual funding and implementing subsidy reforms, will go a long way to improving and expanding our child care system.

CONCLUSION

The complexities and inefficiencies of the Massachusetts subsidy system undermine its ability to provide affordable and accessible child care to families across the state. Our research identified a multitude of challenges that often result in delayed and disrupted access to care for families and unstable financial standing for providers. Updating the RFR for contracted slots, implementing new methods of paying for subsidized child care, streamlining the role of CCRRs, better utilizing technology and data, maximizing the power of C3 grants, ensuring that subsidized dollars are spent, and creating more family-friendly policies are just some of the ways the subsidy system can be improved. Luckily for Massachusetts, record investments paired with flexible federal standards provide the state with opportunity to amend and reform its child care system.

As the new legislative session starts in January, policymakers will begin to revisit conversations around child care reform. While further investment in child care is likely to be a part of those discussions, so should identifying and prioritizing the subsidy system's current gaps and deficiencies. The future success of the child care system depends on making the most efficient use of the resources available. In the months ahead, MTF looks forward to contributing to policy discussions and expanding our research beyond the subsidy system to ensure that our future child care system is one that meets the needs of families and children across the Commonwealth.

ENDNOTES

1

Head Start and Early Head Start also support child care programs, but funding is provided directly to local organizations and does not go through the state. For this reason, they are not included in this report.

2

Administration of Children and Families. CCDF State and Territory Funding Allocations. This figure only includes federal contributions and is solely based on appropriations.

3

Three of the four previous child care programs were related to the welfare system (Aid to Families with Dependent Children) and consisted of child care for families receiving welfare, leaving AFDC, and at risk of AFDC eligibility. The remaining program (CCDBG) was not related to the welfare system and provided care for low-income working families, much like it still does today.

4

Each state's share of discretionary funds is based on a formula that incorporates three factors: 1) the number of children under five, 2) the number of children receiving free or reduced lunch, and 3) the three year average of per-capita income.

5

Matching fund allocations are based on the state's population of children under 13.

6

To meet MOE requirements, states must spend 100% of what they spent on welfare-related programs in the mid 1990's. To meet matching requirements, states must match the federal Matching funds according to the Medicaid matching rate.

7

Administration of Children and Families. CCDF State and Territory Funding Allocations. Figures include allocations and redistributed funds.

8

Matching funds are based on the child population, hence the marginal change over time.

9

Ibid.

10

Administration of Children and Families. Detailed State by State Statistics. FY 2011 – FY 2020 CCDF Data Tables.

11

Although federal relief funds have played a large role in supporting CCDF programs, they are not the focus of this report. This report focuses on the underlying foundation of CCDF. Previous MTF research on the impact of federal relief funds can be found **here.**

ENDNOTES

12

Administration of Children and Families. CCDF State and Territory Funding Allocations. Incudes allocated and redistributed funds.

13

Ibid.

14

MTF analysis of CTHRU data.

15

MA Comptroller's Office. CTHRU data, EEC Budget to Actual Spending. Includes $150 million for C3 grants allocated within the economic development bill using remaining ARPA child care funds.

16

Families who have very limited monthly income or are receiving child care through a referral from the Department of Transitional Assistance or the Department of Children and Families do not contribute a co-pay. For EEC's parent fee chart click **here.**

17

EEC LEAD data as of 9/1/2022. Totals do not include private or public schools.

18

Ibid.

19

Ibid.

20

EEC has multiple types of regions – licensing regions and subsidy regions. For the purpose of this report we refer to the 6 subsidy regions.

21

CCDBG rules recommend certain priority populations for states to target for child care subsidies, but do not enforce mandates.

22

The EEC also has a Board which approves and oversees policy and regulation decisions proposed by the agency.

ENDNOTES

23

EEC Income Eligibility Table. Data as of 10/1/2022.

24

The income eligible program prioritizes homeless families and teen parents, but they are still added to the waitlist prior to receiving subsidized care.

25

EEC Board Meeting Presentation. Data as of 2/2/2022.

26

MTF analysis of CTHRU data. EEC Budget-to-Actual Spending.

27

MTF analysis of EEC caseload history as of 11.3.22.

28

Ibid.

29

Ibid.

30

U.S. Department of Health and Human Services. Office of Inspector General. States' Payment Rates Under the CCDF Could Limit Access to Child Care Providers. August 2019.

31

Public Consulting Group. 2018 Child Care Market Rate Survey Final Report. June 2018.

32

This section only includes rates for center-based providers. Reimbursement rates for family child care providers follow a similar process, but are ultimately determined based on a collective bargaining agreement (FCCs are unionized).

33

Department of Early Education and Care. September 2022 Board Meeting.

34

MA Comptroller's Office. CTHRU data, EEC Budget to Actual Spending.

ENDNOTES

35

U.S. Census Bureau. ACS 2021, 1-Year Estimates. Table S1903.

36

The EEC defines "family" as countable household members which can include 1) parents and their dependent children or any dependent relative who resides in the household and 2) a young parent and his/her children who reside in the same household.

37

Families may submit alternative forms of ID to meet the birth certificate requirement. For details see EEC's Policy Guide.

38

Parents must obtain paperwork for the second parent which could include a car registration, utility bill, etc.

39

Kids Count Data Analysis. U.S. Census Bureau Data. 2021 ACS Table C23008.

40

MA Comptroller's Office. CTHRU Data. EEC Budget-to-Actual Spending.

41

Compares EEC LEAD data from 9/1/2015 to 9/1/2022.

42

Providers who accept subsidized slots only get reimbursed if there is a child utilizing the slot.

43

EEC C3 Survey. July 2021 – April 2022.

44

Ibid.