



Massachusetts  
Taxpayers Foundation

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**CURRENT SUBSIDY SYSTEM REQUIRES UPDATES TO CREATE ACCESS TO MORE  
AFFORDABLE AND EQUITABLE CHILD CARE IN MA**

*MTF report identifies flaws in child care subsidy system, proposes solutions to expand use and limit downside economic impact of limited availability of affordable child care*

**BOSTON, MA (January 11, 2023)** Massachusetts' current child care subsidy system falls short of serving the families who most need it, with negative implications for both families and the economy. According to a new report by the Massachusetts Taxpayers Foundation (MTF), [Preparing for Child Care Reform: How to Improve the Subsidy System to Maximize Future Investment](#) conditions are ripe for an overhaul.

Despite a growing investment for child care in Massachusetts that reached \$1.3 billion in fiscal year 2023, these funds are not being maximized to expand access and reduce costs for more residents. As a result, more than 16,000 children are on a waiting list for a child care subsidy (February, 2022) with infants, toddlers, and preschoolers representing 64% of that population. A previous MTF report estimated that inadequate access to affordable child care costs Massachusetts roughly \$2.7 billion a year in lost earnings for employees and \$812 million for employers.

Challenges to the current system include:

- **The method for calculating reimbursement rates** for providers that accept subsidies is not aligned with the actual costs of providing care; this approach has not led to increased wages for early educators, stronger financial footing for providers, or additional subsidized slots in the market.
- **The allocation of subsidized child care slots is outdated and inflexible**, meaning that subsidized child care resources are not always available in the locations where they are most needed
- **Out of date administrative requirements complicate and delay access** for many families

- **Child Care Resource and Referral agencies are not structured or resourced appropriately**, preventing them from providing essential services to families in need of child care
- **Budgeting decisions based on defraying future costs** has led to millions of dedicated subsidy dollars being unspent each year

The system has become more complicated and disorganized, while the number of children served has remained flat. "Massachusetts is to be commended for its substantial investment in child care in recent years; unfortunately, the subsidy system is complex and inefficient," said Doug Howgate, President of the Massachusetts Taxpayers Foundation. "We have an opportunity to implement and invest in real change that will better serve Massachusetts families, make state investment more efficient, and expand economic opportunity."

The complexities of the Massachusetts subsidy system keep costs high and limit access to families across the state. MTF and its partners recognize the need for reliable and affordable child care is paramount to sustaining the state's economy, ensuring working parents can stay in the workforce and employers can grow their businesses.

"We acknowledge the subsidy system is just one piece of the puzzle," said Ashley White, Senior Policy Researcher at MTF. "But reforming financial assistance programs to make affordable child care more accessible is a critical step."

As part of its report, MTF recommends several initial steps to address identified challenges:

- Update the methodology for reimbursing child care providers that accept subsidies to be based on the cost of providing care
- Modernize the distribution of subsidized slots across the state to better meet demand for care
- Reassess program policies to promote family-friendly experiences and streamline the process for determining eligibility
- Streamline processes and improve data systems across Child Care Resource and Referral agencies
- Maximize available resources by setting benchmarks for the number of children served by the subsidy system each year

"The Covid 19 Pandemic disproportionately impacted the industry these last two years, upending a system that was already in deep crisis," said Tom Weber, Executive Director of Massachusetts Business Coalition for Early Childhood Education and Eastern Bank Foundation Fellow. "The Massachusetts business community increasingly recognizes the essential role that child care plays in our economy and supports policies that will increase child care quality and availability for working families."

"Modernizing and improving access to subsidized child care is just one of a number of changes we must make if we are to create a sustainable system that meets the needs of families and provides reasonable resources for providers, a living wage for early childhood educators and quality early education for kids," said Antoniya Marinova, Senior Director for Education to Career at the Boston Foundation. "We applaud MTF for highlighting needed changes that would benefit working parents and employers across the state."

On Wednesday, January 18, The Boston Foundation will host an online forum on the research, including a presentation on the findings and a panel discussion on their implications and recommendations to strengthen the subsidy system in Massachusetts. Participants will include: Amy Kershaw, Acting Commissioner, Massachusetts Department of Early Education and Care; Gina Adams, Senior Fellow, Urban Institute; Yaoska Rayo, Parent and Early Childhood Educator; Tom Weber, Executive Director, Massachusetts Business Coalition for Early Childhood Education; and Danubia Camargos Silva, Early Childhood Program Officer, The Boston Foundation.

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### **About MTF**

Founded in 1932, the [Massachusetts Taxpayers Foundation \(MTF\)](#) is widely recognized as the state's premier public policy organization dealing with state and local fiscal, tax and economic policies. MTF's record of high quality research and non-partisan analysis has earned the organization broad credibility on Beacon Hill and across the Commonwealth. Our mission is to provide accurate, unbiased research with balanced, thoughtful recommendations that strengthen the state's finances and economy in order to foster the long-term well-being of the Commonwealth. Over the course of eight decades, MTF has played an instrumental role in achieving major reforms and promoting sound public policy in state government. In the past ten years, MTF has won sixteen prestigious national awards from the Governmental Research Association for our work on a wide array of topics. Our unique credibility has allowed us to have a significant impact on a wide range of issues - from health care, business costs and transportation funding to tax competitiveness, capital investments and state and local finances.