

FY 2024 BUDGET RECOMMENDATION

BUDGET BRIEF

Maura T. Healey, Governor | Kimberley Driscoll, Lt. Governor

Child Care

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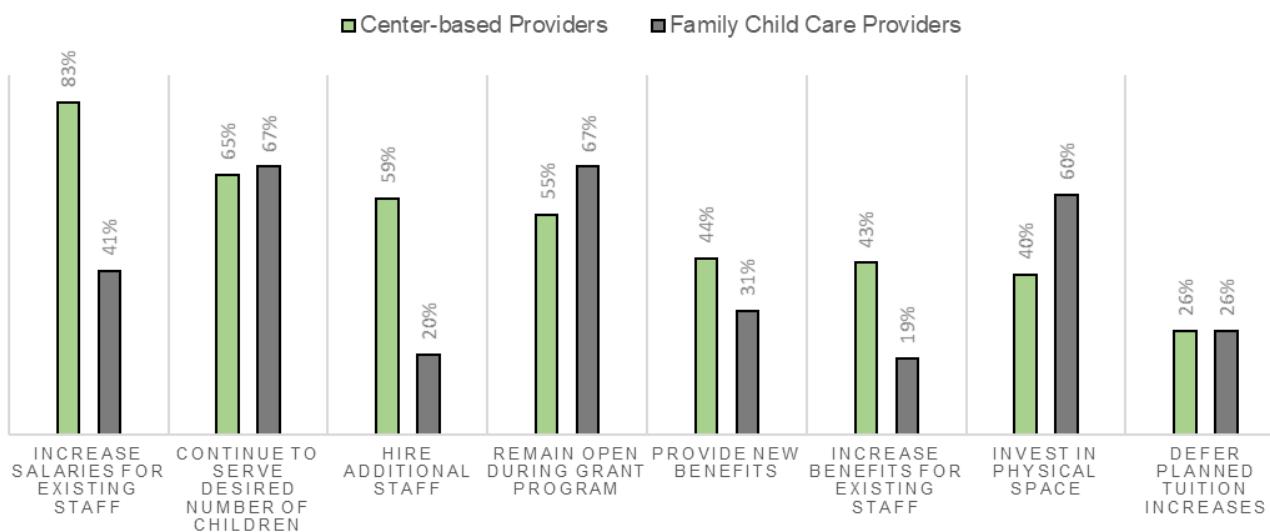
Introduction

H.1 advances the Commonwealth's investment in high quality early education and care, progressing the critical work of closing early learning gaps and providing much needed support to working families. Consistent with recommendations of the *Special Legislative Early Education and Care Economic Review Commission*, H.1 focuses on the important areas of program stabilization, family affordability, system infrastructure, and workforce compensation. Taken together, this FY24 budget of \$1.5 billion represents a down payment on our future child care system—one that works better for educators and families alike.

Developing Capacity of High-Quality Child Care

Every family's child care needs are different. That's why a diverse and healthy field of providers is key to connecting families with the care that's right for them. During the COVID-19 pandemic, a combination of fluctuating enrollment and workforce challenges exacerbated financial instability at providers across the state, leading to program closures and limiting options for families. To build back and recover, Massachusetts leveraged federal funding to launch the Commonwealth Cares for Children ("C3") stabilization program. C3 stabilization grants are based on a formula that factors in whether a provider cares for subsidized children along with need in the communities served by the provider. The grants support providers with basic operating costs, incentivize capacity-building, increase staff compensation, and encourage quality investments. According to a survey of grant recipients:

C3 GRANTS HAVE ALLOWED PROVIDERS TO...



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The C3 program also represents a paradigmatic shift in the way child care providers are supported. C3 payments are predictable, based on fixed costs, and available to all licensed providers in the state. For these reasons, they have helped to mitigate challenges providers have always faced—even before the pandemic—in balancing steep operating costs with the often-competing goals of fair workforce compensation and family affordability.

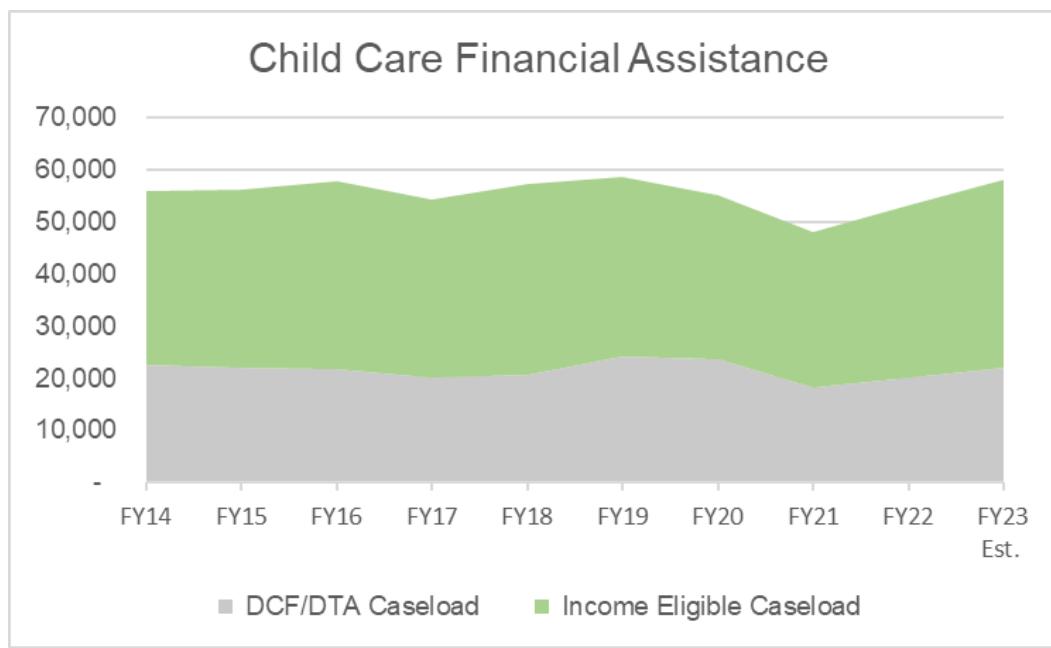
H.1 recognizes this success and recommends continuing C3 grants at their current levels for another year, allowing for further data collection and evaluation of stabilization policies, and for the first time entirely from state resources: \$225 million from the General Fund, \$100 million from Fair Share revenues, and \$150 million from the one-time High-Quality Early Education & Care Affordability Fund.

Ensuring Family Affordability and Access

Beyond stabilizing providers, H.1 furthers the Commonwealth's investment in family affordability through direct tax relief and increased support for the child care financial assistance system.

To alleviate the burden of child care costs on household budgets, H.1 proposes an expanded Child and Family Tax Credit that provides families with a \$600 refundable credit for each qualifying dependent, including children, people with disabilities, and senior dependents. The centerpiece of the administration's tax proposal, this credit would provide relief for over 700,000 taxpayers supporting over 1,000,000 dependents across the Commonwealth.

This credit would replace two interrelated, existing credits with a simplified and expanded benefit imposing no cap on income or qualifying dependents. These changes put family affordability at the heart of our tax policy and complement additional investments in the child care financial assistance system.



Child care financial assistance enables approximately 53,000 children in eligible families to access affordable care at over 4,000 providers across Massachusetts. Under EEC's equitable parent fee schedule, virtually all families with child care subsidies pay a fee that is 7% or less of income. H.1 expands the reach of this financial assistance, adding \$25 million to provide subsidies for an estimated 2,200 additional children from EEC's income-eligible waitlist.

To maximize this investment, we must ensure provider reimbursement rates enable families to access—and providers to offer—high-quality child care. H.1 maintains \$80 million of provider rate increases in FY23, including targeted increases to support family access, and adds \$20 million for additional rate increases for both center-based and family child care providers in FY24.

H.1 also recognizes the pivotal role of local partnerships in expanding affordability beyond the subsidy system. To this end, H.1 supports public-private partnerships that expand preschool and pre-K offerings across Massachusetts, adding \$15 million to double funding to \$30 million for the proven Commonwealth Preschool Partnership Initiative (CPPI). This investment aims to increase enrollment in pre-K programs, reach additional Gateway Cities, and establish long-term plans to provide high quality learning opportunities for all 4-year-olds.

Improving Our Child Care System

Improving child care in Massachusetts will require system-level reforms to break down operational bottlenecks and better connect families to care. H.1 builds on existing infrastructure investments in FY23, maintaining \$10 million to bolster navigation support at child care resource and referral agencies, develop a new family access and engagement team within the Department of Early Education and Care, and streamline the family experience of accessing and maintaining financial assistance.

H.1 proposes adding to this footprint by creating a \$5 million strategic planning and investments reserve. Among other uses, this reserve can be used to:

- Comprehensively analyze supply and demand for early education and care in Massachusetts, identifying what resources and capacities can be expanded to meet family needs
- Better connect families with providers through strategic re-procurement of contracts within the child care financial assistance system
- Develop a new provider rate-setting methodology based on the cost of high-quality care
- Design and implement workforce retention strategies, including career pathways for early educators

Supporting the Child Care Workforce

As the child care sector continues its recovery from the pandemic, an emphasis on workforce recruitment and retention is paramount. Many of the above investments will further support this essential mission. Maintaining a full year of C3 stabilization grants in FY24, while increasing financial assistance reimbursement rates, will allow providers to raise salaries, hire additional staff, and offer professional development opportunities. Additionally, planning funded from the strategic investment reserve can complement this by enabling development of a

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comprehensive career pathway for early educators. To support this important work, H.1 also continues \$10 million for a career pathways program at the state's community colleges, informed by industry needs and supplementing significant investments in public higher education more generally.

We know that children across the Commonwealth are exposed to challenging life circumstances, and their child care providers and early educators may feel ill-equipped to help manage the emotions and behaviors that emerge as a result. Recognizing that providing support early is one of the most important things we can do, H.1 includes \$1.5 million for trauma-informed behavioral health professional development for early educators across the Commonwealth.

H.1 responds to many of the recommendations laid out in the Special Legislative Early Education and Care Economic Review Commission:

Commission Recommendation	H.1
Continue stabilization funding for child care providers through FY22	Funds \$475 million of C3 stabilization grants to extend program through FY24
Increase reimbursement rates for child care financial assistance to improve family access and workforce compensation	Adds \$20 million for provider rate increases in FY24 and fully maintains \$80 million in FY23 rate increases
Reimburse providers accepting child care financial assistance on enrollment basis	Continues to fund this policy change
Serve additional eligible families from child care financial assistance waitlist	Adds \$25 million for waitlist remediation, expanding access to approximately 2,200 new families
Support local partnerships across the mixed delivery system to expand preschool learning opportunities	Adds \$15 million to double funding for the Commonwealth Partnership for Preschool Initiative (CPPI) to increase enrollment and expand programs to additional districts
Increase workforce recruitment and retention and build meaningful career pathways	Maintains \$10 million for a career pathways program at community colleges for early childhood educators
Support management of new programs, policies, and strategies to improve family access and navigation, simplify processes, build capacity, and strengthen workforce retention	Adds \$5 million for new EEC strategic investment reserve to build on \$5 million maintained for increased administrative capacity for research, policy, and program development