



Q2 FY 2024 C3 Legislative Report

Report Overview

Pursuant to the requirements of line item 3000-1045 of section 2 of Chapter 28 of the Acts of 2023, the Department of Early Education and Care (EEC) submits the following quarterly report on the Commonwealth Cares for Children (C3) operational grant program.

In July 2021, as early education and care providers continued to face financial challenges due to the COVID-19 pandemic, EEC launched the Commonwealth Cares for Children (C3) operational grant program. This non-competitive grant was designed and continues to provide a foundational payment to child care providers to help support day-to-day operations and keep programs open and accessible to Massachusetts families with children. C3 grants are used to support a variety of existing operational costs like labor expenses, along with new investments in compensation and other quality supports.

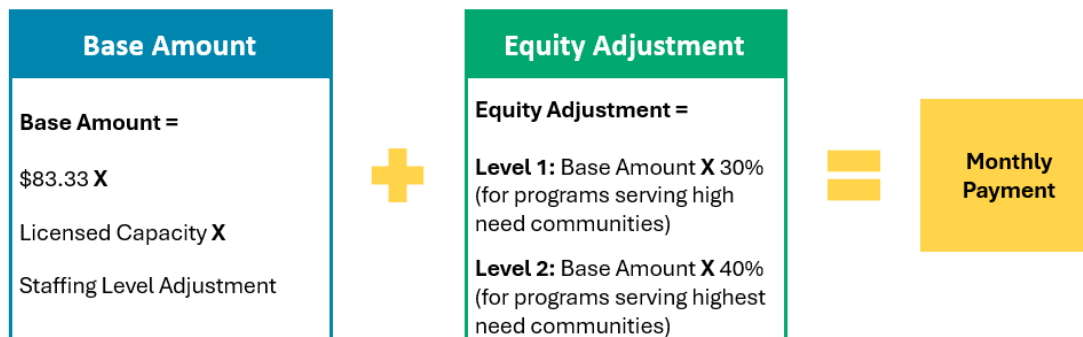
Unlike in previous years, the C3 program is funded entirely with state resources in FY 2024. In FY24, through the end of Q2, the C3 program has approved approximately \$231.5 million in grants to over 7,532 child care providers and the 39,148 educators employed by them. Almost all (92%) of eligible providers have applied for at least one grant award.

Overview of the C3 Formula

In the summer of 2021, the Department worked with Third Sector Capital Partners to develop a formula for distributing monthly C3 funding that incorporated several key principles:

- **Stability:** The Department aims to support providers in meeting key operational and workforce needs during the pandemic to ensure that programs could remain open and accessible to families despite COVID 19 financial and operational challenges.
- **Equity:** C3 funds are available to all providers, and the formula intentionally directs additional funds to providers in historically marginalized communities and to those serving families receiving child care financial assistance.
- **Adequacy:** The formula is designed to be sufficient to support basic operations and allow providers to invest meaningfully in recruiting and retaining the early education workforce.
- **Simplicity:** The formula is simple to administer and for providers to understand, so that both the Department and providers can anticipate the grant amount each month.

With these key principles in mind, the Department developed the following C3 funding formula



- 1) **Base Amount:** This element of the formula ensures that grants are scaled appropriately based on program size. Each eligible provider receives a base amount of \$83.33 per month for each licensed seat in their program. This \$83.33 amount was designed to cover approximately 10% of providers’ operational costs. All family child care providers (FCC) are currently funded at a license capacity of 10 children, which is the maximum size for which FCCs can be licensed.
- 2) **Staffing Level Adjustment:** Recognizing that staffing is the single largest cost driver in most program budgets, the staffing level adjustment was designed to direct additional funding to programs with larger per child staffing costs. This includes providers that serve infants and toddlers, which requires a lower child to educator ratio, as well as programs that employ additional educators to provide services such as longer hours for families or lower educator to child ratios. FCC providers receive an additional 1.5 times their base amount if they employ a part-time assistant and an additional 2 times their base amount if they employ a full-time assistant. Group and school age (GSA) providers receive a staffing level adjustment based on the ratio between the number of FTEs that they employ and a minimum required by regulations to serve their license capacity.
- 3) **Equity Adjustment:** Each provider’s base amount and staffing level adjustment is multiplied by an equity adjustment to direct additional funding to providers in historically marginalized communities and those serving children receiving EEC child care financial assistance. The equity adjustment leverages the Center for Disease Control’s [Social Vulnerability Index](#) (SVI) as well as the proportion of a provider’s license capacity that is filled with children receiving subsidies. If a provider is located in a census tract or zip code with a high SVI or if a provider serves between 1/3 to 2/3 of its license capacity with children receiving child care financial assistance, their base amount per slot and staffing adjustment is multiplied by 1.3. If a provider is located in a census tract or zip code with a high SVI or if a provider serves more than 2/3 of its license capacity with children receiving child care financial assistance, their base amount per slot and staffing adjustment is multiplied by 1.4.

Incorporation of Equity into the C3 Formula

As is highlighted above, the C3 formula is designed to prioritize equity by providing additional funding to programs that serve a high proportion of children receiving child care financial assistance or that operate in communities with a high social vulnerability index. The formula also provides additional funding to providers that serve infants and toddlers and that offer more expansive services. EEC monitors the distribution of grant funds across FCCs and center-based providers that accept child care financial assistance to ensure that the equity bonus is successfully allocating additional funding to these providers. In Q2 of FY 2024, 66% of grant funds were awarded to providers that serve children with EEC child care financial assistance (See Table 1).

Table 1. Proportion of C3 Funds Distributed based on Participation in the EEC Child Care Financial Assistance System (July 1, 2023 – December 31, 2023)					
	Total Grant Funds	Not Serving Children with Child Care Financial Assistance		Serving Children with Child Care Financial Assistance	
		Grant Funds	Percent of Funds Reported	Grant Funds	Percent of Funds Reported
Family Child Care	\$42,900,632	\$14,474,917	6%	\$28,425,714	12%
Center-based Care	\$188,600,320	\$63,907,200	28%	\$124,693,120	54%
All Providers	\$231,500,952	\$78,382,117	34%	\$153,118,834	66%

Note: This table includes all C3 applications from July 1, 2023 through December 31, 2023. For purpose of this analysis, “Serving Children with Child Care Financial Assistance” is defined as a program that billed EEC for a child with child care financial assistance in February 2020, May 2021, November 2021, March 2022, June 2022, September 2022, December 2022, March 2023, June 2023, or September 2023, as these are the points in time incorporated into the C3 formula.

EEC also monitors the percent of total funds awarded over the grant period that are the result of the equity adjustment. Table 2 shows the percent of funds awarded that are generated by the equity adjustment, with breakdowns by provider type, child care financial assistance participation, and SVI. In Q2 of FY 2024, 21% of all the funds awarded were generated by the equity bonus.

Table 2. Proportion of C3 Funding Generated by Equity Bonus, By Provider Type, Child Care Financial Assistance Participation, and SVI (July 1, 2023 – December 31, 2023)			
	Total Grant Funds	Grant Funds Generated by Equity Adjustment	% of Funds Generated by Equity Adjustment
Family Child Care	\$42,900,632	\$10,921,446	25%
Center-based Care	\$188,600,320	\$38,654,224	20%

Serving Children with Child Care Financial Assistance	\$153,118,834	\$36,412,284	24%
Not Serving Children with Child Care Financial Assistance	\$78,382,117	\$13,163,386	17%
Providers in Highest SVI Communities (SVI ≥0.75)	\$124,679,616	\$35,398,232	28%
Providers NOT in Highest SVI Communities (SVI <0.75)	\$106,821,336	\$14,177,440	13%
All Providers	\$231,500,952	\$49,575,670	21%

Note: This table includes all approved C3 applications from July 1, 2023, through December 31, 2023. For purpose of this analysis, “Serving Children with Child Care Financial Assistance” is defined as a program that billed for a child with child care financial assistance in February 2020, May 2021, November 2021, March 2022, June 2022, September 2022, December 2022, March 2023, June 2023, or September 2023 as these are the points in time incorporated into the C3 formula.

Lastly, this report includes analysis on the number of children served by C3 providers in high SVI communities as well as those in census tracts with a median income below 85% of SMI. In Q2 of FY 2024, the data reveal that across the 63% of C3 providers located in a high SVI community, 96,709 children are enrolled, representing 47% of all children enrolled at a C3 provider (**See Table 3**). Looking at the 44% of C3 providers located in census tracts with median income below 85% of SMI, about 65,102 children are enrolled, or about a third of all children enrolled at providers accepting C3 grants (**See Table 4**). These percentages vary by program type, as FCCs are more likely to operate in communities with a high SVI or median income below 85% of SMI. For data on these trends over the entire grant period, see the Appendix.

Combined, the analyses above indicate that the equity adjustment is effectively supporting both providers that serve children receiving child care financial assistance and those that operate in high needs communities. The Department will continue to collect and monitor data to ensure that the C3 grants are reaching the highest need communities and families across the Commonwealth.

Table 3. Enrollment at C3 Providers by SVI (July 1, 2023 – December 31, 2023)

		Number of providers receiving grant funds	Number of children enrolled	Percent of providers receiving grant funds	Percent of children enrolled
Family Child Care	Providers in Highest SVI Communities (SVI ≥ 0.75)	3,529	22,241	73%	70%
	Providers NOT in Highest SVI Communities (SVI < 0.75)	1,275	9,617	27%	30%
	Total	4,804	31,858	100%	100%
Center-based Care	Providers in Highest SVI Communities (SVI ≥ 0.75)	1,186	74,468	43%	43%
	Providers NOT in Highest SVI Communities (SVI < 0.75)	1,541	98,107	57%	57%
	Total	2,727	172,575	100%	100%
All Providers	Providers in Highest SVI Communities (SVI ≥ 0.75)	4,715	96,709	63%	47%
	Providers NOT in Highest SVI Communities (SVI < 0.75)	2,816	107,724	37%	53%
	Total	7,531	204,433	100%	100%

Note: This table includes all approved C3 applications from July 1, 2023, December 31, 2023.

Table 4. Enrollment at C3 Providers by State Median Income (July 1, 2023 – December 31, 2023)					
		Number of providers receiving grant funds	Number of children enrolled	Percent of providers receiving grant funds	Percent of children enrolled
Family Child Care	Located in a Census Tract with a Median Income Below 85% of the 2021 State Median Income (\$89,645)	2,530	15,898	53%	50%
	Located in a Census Tract with a Median Income 85% or above the 2021 State Median Income (\$89,645)	2,270	15,944	47%	50%
	Total	4,800	31,842	100%	100%
Center-based Care	Located in a Census Tract with a Median Income Below 85% of the 2021 State Median Income (\$89,645)	783	49,204	29%	29%
	Located in a Census Tract with a Median Income 85% or above the 2021 State Median Income (\$89,645)	1,938	123,215	71%	71%
	Total	2,721	172,419	100%	100%
All Providers	Located in a Census Tract with a Median Income Below 85% of the 2021 State Median Income (\$89,645)	3,313	65,102	44%	32%
	Located in a Census Tract with a Median Income 85% or above the 2021 State Median Income (\$89,645)	4,208	139,159	56%	68%
	Total	7,521	204,261	100%	100%

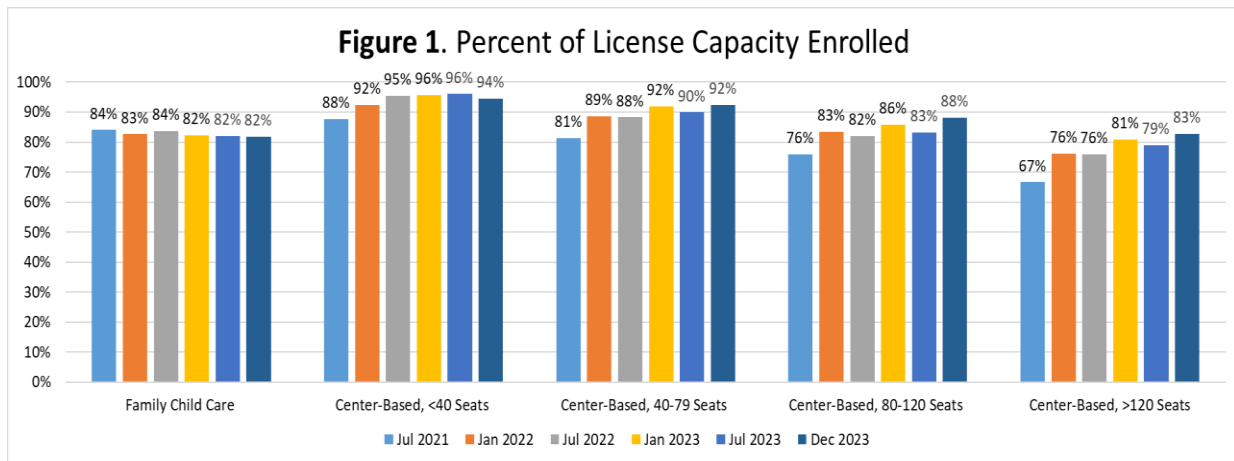
Note: This table includes all approved C3 applications from July 1, 2023, December 31, 2023. Due to missing income data for five census tracts in the S1903 [US Census Table](#), ten providers located in those census tracts are not included in this analysis.

Current State of the Field

The C3 grant—both through the monthly application process, as well as a series of semi-annual surveys of C3 recipients—has provided EEC with an unprecedented level of data and insight into the status of the early education and care field. Each month, when providers apply for their C3 grant, they are asked to confirm a number of key data points including: their current license capacity; the number of children currently enrolled; the total number of FTEs they employ by role; the hourly wage of their highest and lowest paid employees by role; benefits provided to employees; and—in the case of family child care providers—whether they employ an assistant and the number of hours per week worked by these assistants.

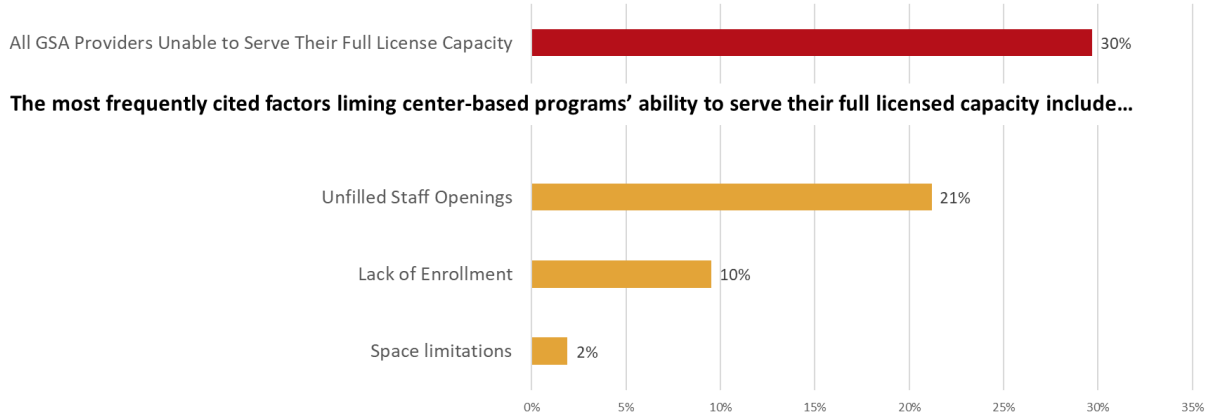
In addition to the rich data provided through the monthly C3 applications, the Department also requires C3 grant recipients to respond to a survey each fall and spring. These surveys provide more thorough data on how providers are spending grant funds; how providers have invested in their workforce across the life of the grant; educator turnover, recruitment, and retention; supports that programs provide to families; and the demographics of the children that providers serve—if they collect this information and are willing to report it. The survey also asks providers targeted questions about the impact of grant funding on their program operations, as well as changes that providers would have to make without grant funding. This data has provided the Department with increased insight into the health of the early education and care field, as well as the status of the workforce, and the Department has used to this data monitor the extent of the pandemic recovery from the beginning of the C3 program through the present.

One of the key metrics the Department tracks is the level of enrollment across licensed providers in the state. The most recent C3 application data indicate that as of December 31, 2023, 85% of the state’s licensed capacity was filled with enrolled children. While this is an improvement, it indicates that some providers are still struggling to fill their programs. **Figure 1** breaks down enrollment as a percent of licensed capacity across different provider types and sizes. Consistent with previous survey results, the Fall 2023 C3 survey revealed that staffing shortages continue to be a prominent reason why providers are unable to serve their full licensed capacity. Roughly 30% of the center-based providers surveyed reported that they were unable to serve their full licensed capacity, with the most cited reason being unfilled staff openings (**See Figure 2**).



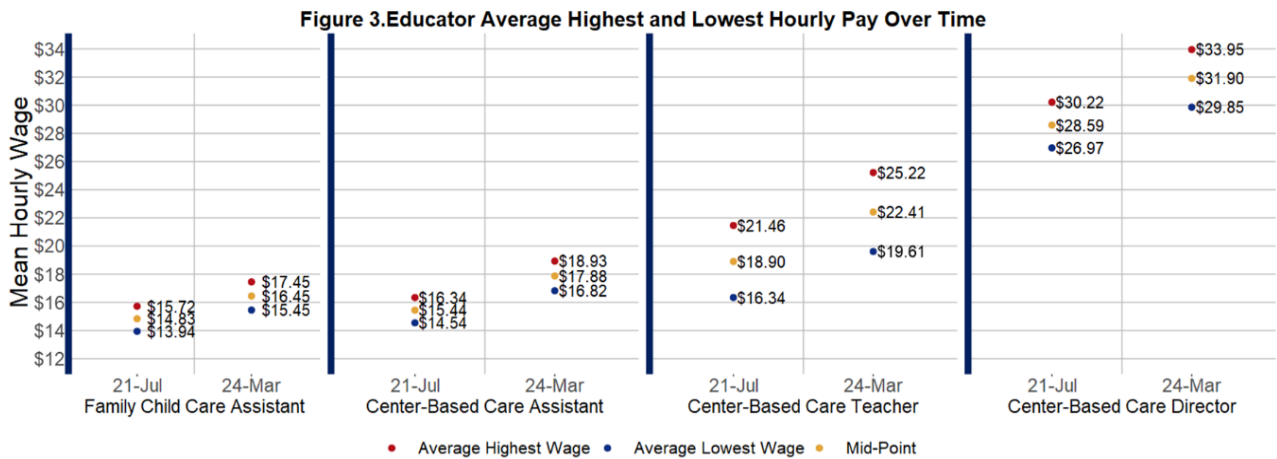
Note: Data as of December 31, 2023. This figure does not include the license exempt Boys and Girls Clubs due to the drop-in nature of their programming.

Figure 2. Factors Limiting Center-Based Programs' Ability to Serve their Full License Capacity (n=2,468)



Note: Data from Fall 2023 C3 Survey.

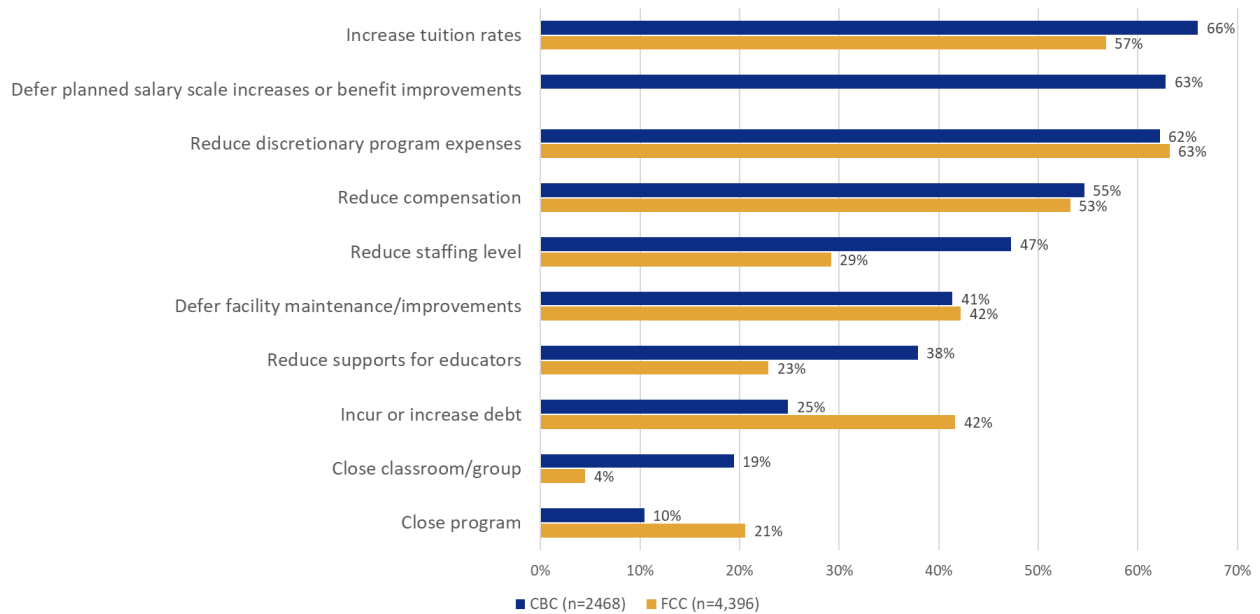
In addition to better understanding enrollment across the state, the C3 survey has also enabled the Department to collect data on wages for early educators. Since July 2021, wages for early educators of all levels have increased (**See Figure 3**). Across the educators surveyed, family child care assistants have the lowest average wage and have seen the smallest increases over the period of the grant, with the mid-point being \$16.45 as of March 2024. Center-based directors report the highest wages with \$31.90 per hour as the mid-point as of March 2024. While these increases have benefited the field, wages for early educators still remain low compared to wages in other sectors of the economy.



Note: This figure does not include data for Family Child Care licensees, as EEC does not currently collect this data through the grant process.

The semi-annual C3 surveys have also enabled the Department to understand the impact of these grants on the operational stability of providers and affordability for families. Providers indicate that if the C3 program were to stop it could have a negative impact on their operations. For instance, 66% of center-based providers and 57% of FCCs surveyed said they would have to increase tuition rates if C3 funding was no longer available. For FCCs this indicates a 4-percentage point increase from the last quarterly C3 report. In addition, an increasing number of providers report they would have to close their program if the C3 program were to not continue. Roughly 10% of centers and 21% of family child care providers indicate they would have to close their program if the C3 program were to not continue, compared to 8% and 18% previously.

Figure 4. Changes Programs Report They Would Need to Make Without C3 Funding



Note: Data from Fall 2023 C3 Survey.

Looking Ahead

In addition to providing financial security and stability to the field, the C3 program has allowed the Department to collect an unprecedented amount of data on thousands of child care providers across the state. This additional insight has enabled EEC to better understand the impact of the grant program, the current status and health of the early education sector, and where potential policy changes are needed.

C3 continues to be a critical investment in sustaining and growing the early education and care system in Massachusetts. Programs are using these funds to increase compensation, build quality, and expand capacity. In partnership with the Legislature, the Department will continue to strive to maintain universality while better directing resources to low- and moderate-income families, providing stable and predictable payments, and using C3 to encourage participation in the Child Care Financial Assistance System.

Appendix

Table A-2. Enrollment by SVI to Date (July 1, 2021 – December 31, 2023)						
		Number of providers	Number of children enrolled	Percent of providers	Percent of children enrolled	
	Providers in Highest SVI Communities (SVI ≥0.75)	3,883	24,018	73%	69%	
	Providers NOT in Highest SVI Communities (SVI <0.75)	1,448	10,687	27%	31%	
Table A-1. Enrollment by State Median Income to Date (July 1, 2021 – December 31, 2023)						
Family Child Care		Number of providers	Number of children enrolled	Percent of providers	Percent of children enrolled	
	Total	5,331	34,705	100%	100%	
Family Child Center-based Care	Below 85% of the 2021 State Median Income (\$89,645)	1,227	78,200	45%	43%	
	85% or above the 2021 State Median Income (\$89,645)	1,654	103,267	57%	57%	
	Total	2,927	181,499	100%	100%	
Center-based Care Providers	Providers in Highest SVI Communities (SVI ≥0.75)	5,156	102,250	62%	47%	
	Providers NOT in Highest SVI Communities (SVI <0.75)	3,102	113,954	38%	53%	
	Total	8,258	216,204	100%	100%	
Note: This table includes all approved C3 applications from July 1, 2021 through December 31, 2023.		Total	2,927	181,499	100%	100%
All Providers	Below 85% of the 2021 State Median Income (\$89,645)	3,615	69,205	44%	32%	
	85% or above the 2021 State Median Income (\$89,645)	4,632	146,794	56%	68%	
	Total	8,247	215,999	100%	100%	

Note: This table includes all approved C3 applications from July 1, 2021, through December 31, 2023. Due to missing income data for five census tracts in the S1903 [US Census Table](#), eleven providers located in those census tracts are not included in this analysis