



Commonwealth Cares for Children (C3) Stabilization Grant Funding for Early Education and Care Providers: A Highly Effective Vehicle for Sector Finance Reform

Overview of the Massachusetts Commonwealth Cares for Children (C3) Stabilization Grant Program

I. Introduction

While investment in the early education and care of children is widely understood⁽¹⁾ to yield strong returns to society, it is often under-prioritized in both public policy and public appropriations. Unlike most industrialized countries⁽²⁾, the United States offers no meaningful public early education and care programming and devotes minimal public dollars to the sector. As a result, families are responsible for bearing untenable child care costs, while early education and care providers struggle to subsist on a business model that, as is explained in this brief, is fundamentally volatile. The financial fragility associated with providers' overreliance on tuition as operating revenue became indisputably evident with the onset of the Covid-19 pandemic, when child care providers lost tuition income due to mandated closures and sharp declines in enrollment. Within weeks, many shuttered permanently.

In March 2021, to attempt to mitigate crumbling state child care sectors nationwide, the federal government provided, as part of the American Rescue Plan Act (ARPA) stimulus legislation, funds allocated specifically for stabilizing the early education and care field⁽³⁾. In Massachusetts, the state converted ARPA child care stabilization funds into operational grants for licensed early education and care providers; these grants were intended to sustain provider program capacity and offset lost income from fluctuating enrollment. In delivering flexible public funding to providers in direct-to-program grant form, this program, called [Commonwealth Cares for Children \(C3\)](#), stabilized the early education and care sector within five months and slowed program closures. Indeed, the C3 Stabilization Grant Program, which tied grant funding to provider capacity and not to enrollment, presents as a promising new financial vehicle that, if made permanent, could significantly contribute to improving quality, access, and affordability in early education and care. This brief details the structure of the C3 Stabilization Grant Program, its impact, and its potential to transform the financing of the early education and care sector and, in turn, the strength and quality of its capacity.

II. The Economics of Early Education and Care in Massachusetts

That the economy requires a stable workforce to thrive, combined with the fact that those in the workforce with young children require reliable early education and care to maintain employment stability, suggests that access to child care is an essential public utility, especially given that most parents are indeed in the labor force⁽⁴⁾. Moreover, it's well documented⁽⁵⁾ that access to early learning programs for children strongly promotes early literacy, kindergarten readiness, improved education outcomes, and lifelong impacts on employment and health and wellbeing.⁽⁶⁾

1 See, for example, the Center for High Impact Philanthropy at the University of Pennsylvania: <https://www.impact.upenn.edu/early-childhood-toolkit/why-invest/what-is-the-return-on-investment/>

2 According to [this analysis, as reported by The New York Times](#), the U.S. sits at the bottom, among other O.E.C.D countries, on child care spending as a fraction of G.D.P. See also, a UNICEF report on where the U.S. ranks among rich countries: <https://www.unicef-irc.org/publications/pdf/where-do-rich-countries-stand-on-childcare.pdf>.

3 See <https://www.acf.hhs.gov/sites/default/files/documents/occ/CCDF-ACF-IM-2021-02.pdf> and <https://www.childcareaware.org/our-issues/public-policy/american-rescue-plan-act/>.

4 U.S. Bureau of Labor Statistics: <https://www.bls.gov/news.release/famee.t04.htm>

5 See, for example: https://www.rand.org/pubs/research_briefs/RB9993.html

6 Karoly, Lynn A., M. Rebecca Kilburn, and Jill S. Cannon, Proven Benefits of Early Childhood Interventions. Santa Monica, CA: RAND Corporation, 2005. https://www.rand.org/pubs/research_briefs/RB9145.html.

Collectively, the infrastructure that child care provides to state economies and the contribution early learning makes to addressing and rectifying education, health, earnings, and other social and economic disparities stand as key indicators that early education and care is a public good with substantial benefits to children and families, society, business, and states. Yet, very little public funds are invested in the early childhood sector and early education and care remains the private responsibility of families and caregivers.

While K-12 level education is recognized as a priority public program (because of the premise that investment in such a system yields significant community returns), there is no equivalent education system for children from birth to age five (or for out-of-school- time programs for school-age children). Rather, the early education and care sector functions as a private market, with early education services mainly provided by private small businesses. Families stand as consumers and, like any consumer, are subject to fluctuations in cost, quality, supply, and demand. **Unlike most markets, however, the cost of doing business in the child care field far exceeds the price a consumer can pay, leading to suboptimal outcomes for all stakeholders (families, providers, and educators): volatile program budgets, depressed labor wages, compromised quality, and financial- and capacity-related access barriers for families.** Indeed, while the cost of care in Massachusetts is famously high⁽⁷⁾, the thousands of private proprietors that comprise the supply of early education and care operate on razor thin margins and, consequently, early educators make poverty wages.

Currently, there are approximately 7,500 licensed early education and care providers in Massachusetts. Unlike K-12 schools, these private businesses do not receive foundational government support to sustain capacity or to cover basic operational expenses. When costs rise, there is no public mechanism that automatically mitigates those additional expenses; increases in the cost of doing business lead to increases in tuition charged to families. (The fact that the ceiling of “affordability” for families is far below the true cost of providing quality care directly contributes to suppression of wages paid to early educators and administrative staff.⁽⁸⁾)

Moreover, lack of public funding to cover costs of child care provision results in the vast majority of providers having to rely nearly solely on tuition dollars for incoming revenue. When enrollment declines, revenue declines and even small dips in enrollment can have substantial impact on program budgets. Providers face difficulty in simply raising the cost of tuition to supplant losses in enrollment-based revenue (or increases in operating costs), as that can result in pricing out existing “customers” (i.e., families), further depressing enrollment. The instability of this balancing act was a root cause of why Massachusetts lost 17 percent of providers from March 2020 to December 2021⁽⁹⁾. Many of the early education and care programs forced to close were located in comparatively at-risk communities: 53 percent of all program closures from March 2020 to December 2021 were in areas with high social vulnerability⁽¹⁰⁾.

What has become glaringly evident in the last two years is the imperative not only to recognize the need to invest public funds into early education and care, but also to reassess how we finance the field as a sector. The Massachusetts’ Commonwealth Cares for Children (C3) Stabilization Grant Program stands as a promising alternative for strengthening the capacity - and the quality - of the early education and care sector.

7 See, for example, this [recent report from The Boston Globe](#).

8 The Center for American Progress estimates that the cost of a basic quality of care for infants in MA is about \$24,000, while the true cost of high quality care – including adequate compensation for educators – would be more than \$41,000. <https://www.americanprogress.org/article/true-cost-high-quality-child-care-across-united-states/>

9 Commonwealth of Massachusetts Department of Early Education and Care, Board Meeting, February 8, 2022. [Meeting materials](#).

10 Ibid.

III. Massachusetts Commonwealth Cares for Children (C3) Stabilization Grant Program: Origins and Funding Formula

In July 2021, Massachusetts introduced an innovative mechanism for distributing federal Covid-19 relief dollars to its early education and care sector: direct-to-program stabilization grants.

As noted, in July 2021, the Commonwealth of Massachusetts' Department of Early Education and Care packaged federal American Rescue Plan Act (ARPA) funding into stabilization grants made available to all licensed center-based, Family Child Care, and after-school/out-of-school-time providers in the state, through the program, Commonwealth Cares for Children (C3) (11). The intent behind the initiative was to stabilize Massachusetts' early education and care sector through direct-to-program grant funding to cover operational costs, including labor expenses; to shore up programs' ability to weather ongoing reductions in enrollment or attendance; and to maintain wages necessary for recruiting and retaining educators and administrative staff.

Most notably, the C3 stabilization grants were tied to a program's enrollment capacity, rather than to child enrollment or attendance. (This approach to investing public dollars into early education and care delivery differs substantially from traditional practice, which is to tie public assistance to income-eligible children and then to reimburse an early education and care program for the day-to-day attendance of that child(12)). Further, the C3 stabilization grants were designed to be flexible: under the grant terms, recipient providers are largely allowed to determine how to apply the funds to support program operations.

Finally, to date, C3 stabilization grants have been made available to all licensed programs in Massachusetts, irrespective of whether a program currently enrolls children with public subsidies, in recognition of the fact that the market as a whole has been floundering in the enduring wake of the pandemic.

The basic eligibility criteria for participation in the C3 Stabilization Grant Program are twofold. Providers must be:

- Licensed or approved as of March 11, 2021; and
- Open at the time of application (or, if closed, temporarily so, due to COVID-19 exposures).

C3 stabilization grants have proved pivotal: within five months of the grant application being open, Massachusetts' early education and care sector stabilized, with programs experiencing enhanced financial security and predictability.

The Commonwealth Cares for Children (C3) grant funding formula accounts for capacity, equity, and quality.

Recipients of C3 stabilization grants receive monthly allocations of public funds that sum to their total award, as determined by the C3 program's unique [funding formula](#).

11 The Commonwealth Cares for Children (C3) grant program provided initial funding for eligible providers from July 2021 through December 2022. In December 2021, the program was extended through the end of the Massachusetts Fiscal Year 2022 (June 30, 2022).

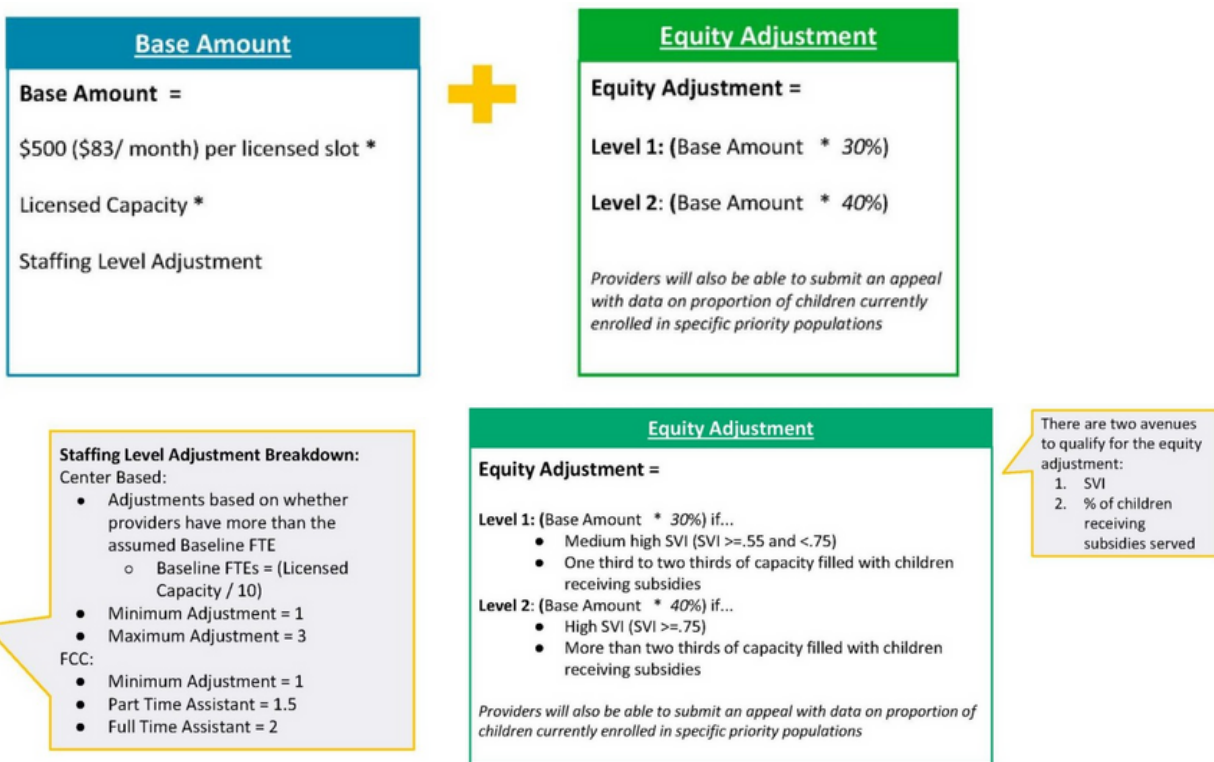
12 The Child Care & Development Block Grant (CCDBG)-supported subsidy system provides funding for the reimbursement of the cost of care for families with very low incomes. While implementation varies by state, in MA the amount of and receipt of funds is tied to child attendance. <https://www.everycrsreport.com/reports/RL30785.html>

As noted, any eligible licensed provider can apply for funding; however, the amount of funding for which a program is eligible is calculated based on variables that account for: (1) licensed capacity, (2) quality (measured by the number of licensed educators working with children), and (3) equity (measured by the community and/or population of children served by the program). Equity is accounted for through the formula's use of a funding adjustment, which allocates additional dollars to early education and care providers that serve higher-risk communities and/or lower-income children and children with special needs. The equity adjustment is a calculation based on either the percentage of children receiving subsidies served by the provider or the Social Vulnerability Index (SVI)(13) of the community served.

The formula, as illustrated below, begins with a base amount that is, at minimum, \$500 (or about \$83 per month) per licensed child care slot.(14) For example, a center-based early education and care provider with 20 licensed child care slots would receive, at minimum, \$10,000 over six months. Under the funding formula, this base amount may become higher, if:

- A provider has more employees than is required by regulation (see Figure 1, “Staffing Level Adjustment”); and/or
- A provider serves a medium or high SVI community and/or one third or more of its licensed child care slots are filled with children receiving subsidies (see Figure 1, “Equity Adjustment”).

Figure 1. The C3 Stabilization Grant Pilot Program Funding Formula (15)



13 Social vulnerability, according to the Centers for Disease Control and Prevention (CDC), refers to “the ability to survive and thrive when confronted by external stresses on human health.” Such stresses include poverty and other adverse conditions. The degree of social vulnerability children experience is based on a model constructed by the CDC called the Social Vulnerability Index (SVI).

14 Data extracted from MA Department of Early Education and Care archived webinar materials.

15 Source: EEC presentation on pilot program, available at: <https://www.eecstrategiesicplanportal.org/eventlist/c3-formula-information-session-nzp35>

Criteria and Processes for Applying for and Receiving C3 Funding Were Accessible, Which Supported a nearly 84% Take-Up Rate Across Licensed Early Education Providers in Massachusetts

In order to apply for and receive C3 stabilization grant funding, providers are required to [complete an application](#) and provide basic information about their programs to the Department of Early Education and Care, including:

- Program profile, including provider type, number, and contact information;
- Hours of operation, including fee schedule;
- Licensed capacity, including monthly child enrollment and number of classrooms open;
- Staffing, including employment benefits offered and any bonuses or incentives offered to staff;
- Population served, including census tract, zip code, and percent of children receiving subsidies; and
- Banking and taxpayer information.

In addition, programs are required to complete an attestation¹⁶ which directs applicants to select how C3 stabilization grant funds will be used, from the following options:

- Personnel costs, benefits, premium pay, and recruitment and retention;
- Rent or mortgage payments, utilities, facilities maintenance and improvements, or insurance;
- Personal protective equipment, cleaning and sanitation supplies and services, or training and professional development related to health and safety practices;
- Purchases of or updates to equipment and supplies to respond to COVID-19;
- Goods and services necessary to maintain or resume child care services;
- Mental health supports for children and employees; and/or
- Paying for past expenses incurred after January 31, 2020.

Following the month of application, providers are required to recertify their application each month by confirming and updating any information that has changed from that originally submitted.

The application for the C3 stabilization grant is housed within the same website that the Department of Early Education and Care uses to interface with providers for other purposes. The familiarity with the platform and the simplicity of the process has made opting in to grant funding the majority choice among providers, resulting in a high take-up rate.

16. See page 8 of: <https://www.mass.gov/doc/eec-gsa-arpa-child-care-stabilization-grant-application/download>

IV. Key Outcomes from the First Six Months of the Commonwealth Cares for Children (C3) Stabilization Grant Program

The Commonwealth Cares for Children (C3) Stabilization Grant Program has demonstrated the strong protective factor that stable public funding plays in supporting and growing capacity and promoting access and equity; this is evident in the following outcomes:

1. The Commonwealth Cares for Children (C3) stabilization grants have contributed to stabilization of the Massachusetts early education and care sector and helped to prevent program closures.

Following the introduction of the Commonwealth Cares for Children (C3) Stabilization Grant Program, 98 percent of programs that closed between July 2021 and December 2021 did not receive C3 funds.

- Prior to the launch of the C3 stabilization grant program, 1,359 programs closed between March 2020 and June 2021.
- From July 2021, when the C3 stabilization grant program launched, through December 2021, only 453 additional programs closed. Of these programs:
 - 310 programs received neither subsidies nor C3 stabilization grants (no public funding)
 - 136 received subsidies, but not C3 stabilization grants (partial public funding)
 - 5 received C3 stabilization grants, but not subsidies (partial public funding)
 - 2 received subsidies and C3 stabilization grants (full public funding)

2. The Commonwealth Cares for Children (C3) stabilization grants are in high demand, especially with Family Child Care programs.

- To date, nearly 84 percent of 7,500 eligible providers in Massachusetts, which includes center-based programs, Family Child Care, and after-school/out-of-school-time providers, are participating in the C3 stabilization grant program.
- As of September 2021 (the last month for which the Department of Early Education and Care has reported data), Family Child Care providers represent 72 percent of programs receiving grants (17).

3. C3 funding formula has demonstrated a prioritization of equity, with 65 percent of all Commonwealth Cares for Children (C3) grant funding distributed to programs participating in the state's subsidy program (see Figure 2) (18). Additionally,

- As of November 27, 2021, providers serving the most socially vulnerable areas received 30 percent of all funding distributed by the C3 stabilization grant program (see Figure 3). (19)
- Median per-slot grants to providers in areas of high need are 30 percent greater than grants to providers in areas of relative affluence. (20)

17 Commonwealth of Massachusetts Department of Early Education and Care, Board Meeting, October 12, 2021. [Meeting Materials](#)

18 Commonwealth of Massachusetts Department of Early Education and Care, Board Meeting, February 8, 2022. [Meeting materials](#).

19 Commonwealth of Massachusetts Department of Early Education and Care, Board Meeting, December 14, 2021. [Meeting materials](#).

20 Ibid.

Figure 2. Approximate Distribution of C3 Stabilization Grant Funding by Subsidy Program Participation. (21)

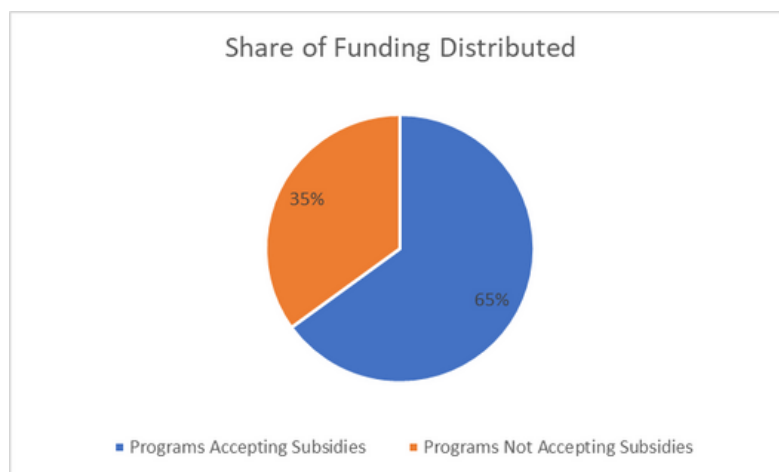


Figure 3. C3 Funding Distribution Per Licensed Slot: Comparing Providers in Communities with Low and High Social Vulnerability Indices (22)

SVI Value	Median C3 Grant Per Licensed Slot: No Infants/Toddlers	Median C3 Grant Per Licensed Slot: Infants/Toddlers served	Share of C3 Funding Received* *as of 11/27/21*	Percent of Licensed Slots in System
Low SVI (0-.25)	\$108	\$167	17%	21%
Highest SVI (.75-1)	\$132	\$217	30%	26%

4. The Commonwealth Cares for Children (C3) stabilization grants augmented the protective value of state child care subsidies. (23)

- From March 2020 to December 2021, a program receiving any amount in state subsidies on average had a rate of survival that was 10 percentage points higher (24) than that of providers not participating in the state’s subsidy program.
- Early education and care providers who added C3 stabilization grant funding to existing state subsidies were the least likely to close. Of the 453 programs that closed between July 2021 through December of 2021, only 2 received both subsidies and C3 stabilization grants.

21 Ibid.

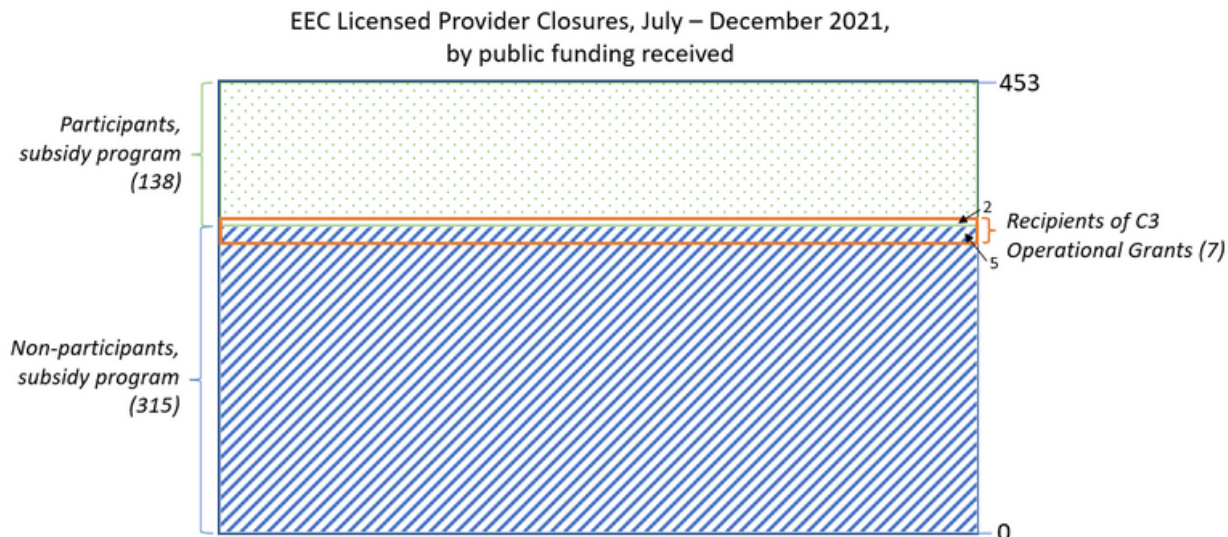
22 Data drawn from: Commonwealth of Massachusetts Department of Early Education and Care, Board Meeting, December 14, 2021. [Meeting materials.](#)

23 During the state of emergency related to the COVID-19 pandemic from March 10,2020 – June 15, 2020, EEC continued to pay subsidies to closed programs. Subsidy payments were based on enrollment rather than attendance, which allowed for unlimited absences so families could stay home when sick, or to allow for classroom or care quarantines.

[Massachusetts Department of Early Education and Care 2020 Annual Report.](#)

24 Commonwealth of Massachusetts Department of Early Education and Care, Board Meeting, February 8, 2022. [Meeting materials.](#)

Figure 4. Distribution of Licensed Program Closures in Massachusetts (July 2021 - December 2021) (25)



5. Providers that received C3 stabilization grants used funds that aligned with the program’s intent: to keep programs open, cover immediate expenses, and invest in educator wages. (26)

- Almost all programs receiving C3 stabilization grant funding (95%) reported using at least some of their funds right away to help sustain operations.
- Almost all programs receiving C3 stabilization grant funding (94%) reported that they needed the grant to cover their expenses over subsequent months.
- More than half of center-based programs receiving C3 stabilization grant funding reported using grant funds for workforce compensation (ongoing or one time).
- On average, 30% of all C3 stabilization grant funds have been used for workforce benefits and wages.

6. Termination of the C3 Stabilization Grant Program is likely to have significant impact on providers that serve more socially vulnerable communities but do not participate in the state subsidy system.

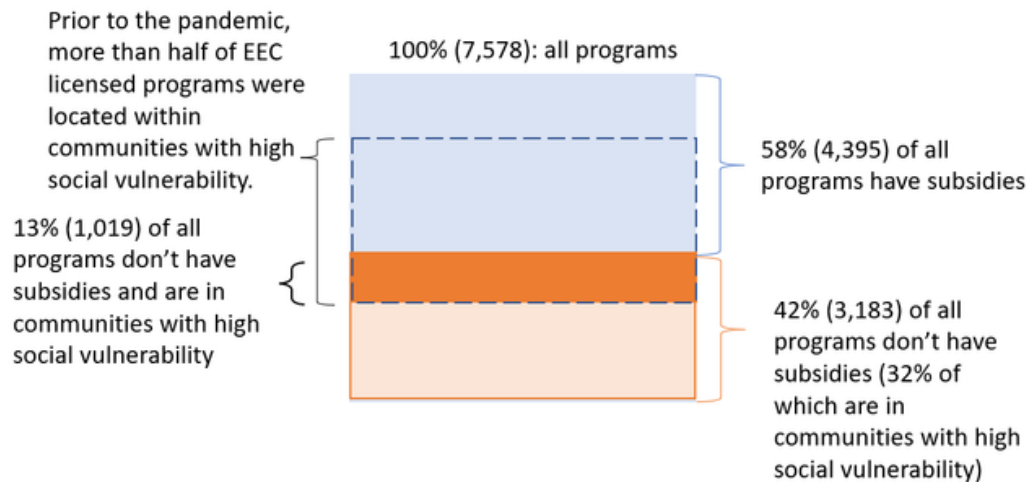
Data from the application of the Commonwealth Cares for Children (C3) Stabilization Grant Program to Massachusetts’ early education and care sector strongly suggests that the program has been highly impactful in terms of stabilizing the sector and its capacity. The C3 stabilization grants have allowed Massachusetts providers to remain open despite losses in revenue and increased costs, especially costs tied to rising workforce wages. Programs that both participate in the state’s subsidy program and receive C3 stabilization grant funding have been particularly protected. However, data concerning program closures from March 2020 through December 2021 suggests that termination of the C3 Stabilization Grant Program will most severely impact programs that do not otherwise receive public financial assistance through the state subsidy system, particularly non-subsidized providers that serve children in more vulnerable communities. This is notable, given that 32 percent of providers that do not participate in Massachusetts’ subsidy system are located in communities with high social vulnerability. (See Figure 5.)

25 Data drawn from: Commonwealth of Massachusetts Department of Early Education and Care, Board Meeting, February 8, 2022. [Meeting materials.](#)

26 Commonwealth of Massachusetts Department of Early Education and Care, Board Meeting, December 14, 2021. [Meeting materials.](#)

(Thirty-six percent of all closures in Massachusetts, from March 2020 to December 2021, were among programs that are located in high social vulnerability areas and do *not* receive state subsidies. (27)) Loss of additional programs in socially vulnerable communities is likely to exacerbate pre-existing supply shortages. (28)

Figure 5. Social Vulnerability and Subsidy Participation (29)



Conclusion

The almost instantaneous impact of the Commonwealth Cares for Children (C3) Stabilization Grant Program on the Massachusetts early education and care sector demonstrates the transformative result that capacity-oriented public funding has on strengthening the early childhood education system. The success of the C3 Stabilization Grant Program in Massachusetts stands as evidence that direct-to-provider grant funding intended to partially cover programs’ operations costs, including labor costs, is a strong model for long-term sector finance reform that can contribute significantly to improved quality, access, and equity in early education and care.

27 Ibid.

28 An analysis from the Center for American Progress found that 53 percent of Massachusetts residents live in a child care desert. <https://www.americanprogress.org/article/mapping-americas-child-care-deserts/>

29 Data received directly from the Department of Early Education and Care via email request.