

# FISCAL YEAR 2025: FINAL BUDGET

## I. INTRODUCTION

The Fiscal Year 2025 (FY25) state budget includes landmark funding and policy implications for early education and care in Massachusetts. In addition to maintaining \$1.5 billion in funding for the sector, the budget also enacts policy provisions from comprehensive early education and care bills filed in 2020 and then refiled in 2022. These policies cover a range of issues, including operations grants for providers, affordability for families, benefits for early educators, and more. In this guide, we lay out key funding and policy provisions in the FY25 budget and what they mean for the Commonwealth.

### WHAT IS A BUDGET AND HOW IS IT STRUCTURED?

The annual budget lays out how Massachusetts will spend the revenue (tax dollars) that come into the state and what parameters will be in place for how that money is spent. It consists of two sections: Appropriations and Outside Sections. Appropriations are line items that indicate how much money will be used towards each program as well as language that describes the ways that those funds may be used for the coming year. Outside Sections do not have funding allocations directly attached to them, but rather are policies that will be made into permanent laws.

### HOW MUCH FUNDING IS THERE FOR EARLY EDUCATION AND CARE?

The Legislature's final budget includes \$1.54 Billion for early education and care. Funding for early education comes from four sources: the General Fund, Fair Share Surtax, a newly created Operational Grants Trust Fund, and an existing High Quality Early Education and Care Affordability Fund. Some highlights include:

- Commonwealth Cares for Children (C3) operations grants made permanent and funded at \$475 million.
- Child Care Financial Assistance program codified into law and funded at a record \$871,775,368.
- Eligibility for Child Care Financial Assistance (CCFA) expanded to families earning up to 85% State Median Income (SMI) and, if funds allow, eventually to families earning up to 125% SMI.
- Significant benefits for early educators including a codified scholarship program (\$15.5 million), new loan forgiveness program (\$7.5 million), continued priority for CCFA (\$8 million), and a directive to EEC to create a career ladder with recommended salaries within one year.

See [Page 3](#) for more details on funding in this year's budget!

## WHAT ARE THE BUDGET'S POLICY IMPLICATIONS FOR EARLY EDUCATION AND CARE?

This year's budget is unique because, in addition to allocating significant funding to early education and care, it includes significant policy changes for the sector.

### **What is an "Outside Section" and why does it matter for early education and care?**

Typically, new policies become law through the passage of bills specifically related to those policies. However, every year the Massachusetts State Legislature passes a budget, which is also a bill. While the budget is primarily focused on how the Commonwealth will spend its tax revenue for the coming fiscal year, sometimes the Legislature includes Outside Sections in the budget. Provisions in Outside Sections become permanent law, also referred to as "statute."

### **Where did the provisions in the FY25 budget's Outside Sections originate?**

At the beginning of the current Massachusetts legislative session, which started in January 2022, a bill was filed in the Massachusetts House and Massachusetts Senate, respectively, to enact comprehensive early education and care reform. Those bills were then revised slightly and reported out favorably by the Joint Committee on Education in February 2024. Many of the provisions in the FY25 budget's Outside Section reflect policies included in the Joint Committee's bill, which was passed in March 2024 by the MA Senate as the "Early Ed Act." (This bill is currently pending in the MA House of Representatives.) Notably, the full Legislature, House and Senate, took the unusual approach of codifying the content of the Early Ed Act, as well as some additional policy reforms, as Outside Sections in this year's budget. **The passage of the FY25 budget means that policies that the early education and care sector has been pursuing for years are now law in Massachusetts.**

See [Page 5](#) for more detail on these policies!

## II. FUNDING FOR EARLY EDUCATION AND CARE IN THE MA FY25 BUDGET

The FY25 budget devotes a total \$1.5 billion to early education and care, an increase from FY 2024. Early education accounts for roughly 2.7% of the total \$58 billion Massachusetts FY25 budget. Notable increases in funding this year focused on Child Care Financial Assistance (CCFA) access for families, as well as new benefits and programs for early educators. The Commonwealth Cares for Children (C3) operations grant program was level funded, but with a shift in both funding sources and how funds will be distributed to different categories of early education and care providers.

### KEY FUNDING HIGHLIGHTS IN THE FY25 BUDGET

- \$475 million for C3 operations grants.
- \$872 million for CCFA, including increasing rates, expanding income eligibility, and continuing to prioritize early educators.
- \$15.5 million in scholarships and higher education opportunities for early educators and \$7.5 million for loan forgiveness.
- \$5 million for mental health supports.

### WHERE DOES THE FUNDING FOR THESE KEY PROGRAMS COME FROM?

The Massachusetts FY25 budget funds programs through multiple sources and sometimes within other line items and budget sections. **The budget chart that follows shows the funding breakdown for the key programs listed above.** An account number starting with "1596" indicates the money comes from the Fair Share Surtax and an account number starting with "3000" designates the program specifically as early education and care and indicates that the funding comes from the General Fund.

See the **Appendix** for a list of all early education and care items funded in this year's budget and how they compare both to earlier versions of this year's budget and to the FY 2024 final budget.

	ACCT #	ACCOUNT NAME	FY25 FINAL BUDGET	EXPLANATION OF PROGRAM	
<b>Commonwealth Cares for Children (C3) Operations Grant Program</b>	1596-2410	Childcare Grants to Providers	\$175,000,000	Funds to address operational costs for providers, prioritizing equity and subsidized enrollment.	
	<b>TOTAL: \$475 million</b>	3000-1045	Stabilization Grants		\$300,000,000
<b>Child Care Financial Assistance (CCFA)</b>	3000-3060	Supportive and TANF Childcare	\$356,587,135	Funds for vouchers and contracted slots for high need populations and low income families.	
	3000-3070	Income Eligible Childcare	\$417,188,233		
	1596-2411	Income Eligible Waitlist	\$15,000,000	Additional funds for financial assistance for currently eligible families.	
	<b>TOTAL: \$871,775,368</b>	1596-2434	Rate Reserve	\$65,000,000	\$45 million to annualize FY24 rate increases; \$20 million to increase rates in FY25.
	1596-2435	Childcare Affordability	\$18,000,000	Funds to start expanding eligibility for CCFA to households earning up to 85% SMI; \$8 million allocated to early education teachers.	
<b>Scholarships for Early Educators</b>	3000-1000	EEC Admin	\$7,500,000	Funds and navigation support for early educators to obtain credentials including certificates and higher education degrees.	
	<b>TOTAL: \$15,500,000</b>	3000-7066	Higher Education Opportunities		\$8,000,000
<b>Commonwealth Preschool Partnership Initiative (CPPI)</b>	1596-2412	CPPI Pre-K Initiative	\$5,000,000	Planning and implementation grants to municipalities to expand access to PreK.	
	<b>TOTAL: \$22,523,127</b>	3000-6025	Commonwealth PreSchool Partnership		\$17,523,127



## III. EARLY EDUCATION AND CARE POLICY CHANGES IN THE FY25 BUDGET

Significantly, this year's budget codifies foundational early education and care policy changes into permanent statute. As noted above, in the FY25 budget, the Legislature elected to enact many provisions of the "Early Ed Act" - as well as some additional policies - into law by including them in the budget's Outside Sections.

### Key Policy Highlights in the FY25 Budget

#### COMMONWEALTH CARES FOR CHILDREN

- Commonwealth Cares for Children (C3) operations grants program codified into law.
- Parameters for provider eligibility and the grant program's funding formula articulated.
- Operational Grants Trust Fund established to fund C3 program with revenue from a newly established lottery and, potentially, other sources.

#### AFFORDABILITY FOR FAMILIES

- Child Care Financial Assistance (CCFA) program, which previously only existed in regulation, is now in permanent statute, as are protections for families receiving public assistance.
- Eligibility for CCFA is immediately expanded to families with household incomes up to 85% SMI (\$124,000 for a family of four), though funds are limited for FY25.
- Eligibility will gradually expand to families making up to 125% SMI (\$180,000 for a family of 4) as funds become available.
- Fees for any family receiving financial assistance are limited to 7% of household income and codifies free care for families with incomes under the Federal Poverty Line.

#### SUPPORTS FOR PROVIDERS AND EDUCATORS

- MA Department of Early Education and Care (EEC) directed to create a career ladder with recommended salaries and benefits for early educators.
- Scholarship program for early educators codified into statute.
- Loan forgiveness programs for early educators established.

#### DATA

- Establishes a Data Advisory Committee and requires EEC to collect and report on additional data sets.
- Requires EEC to study and file reports on several areas including: uptake of operations grants, large for-profit providers, employer best practices

See the **Appendix** for a full list of outside sections in this year's budget impacting early education and care.

## HOW THIS BUDGET IMPACTS FAMILIES

- The budget makes care more affordable for more families by expanding access to reduced-price childcare through the Massachusetts child care financial assistance program (CCFA) first to families making up to 85% SMI and ultimately to families up to 125% SMI.
- The budget permanently makes care free for families with incomes under the federal poverty line who qualify for CCFA.
- The budget directs the Department of Early Education and Care to regularly update the sliding parent fee scale for families receiving state financial assistance for child care at least every 5 years and limiting fees to 7% of family income.
- The budget makes direct-to-provider operations grants permanent. This program has been critical for ensuring that programs stay open and are able to raise teacher salaries without significant increases in tuition to families.

## HOW THIS BUDGET IMPACTS TEACHERS

- The budget directs the Department of Early Education and Care to develop an early education and care career ladder including: minimum salaries and compensation for each level of the career ladder that match the salaries of public school teachers with similar experience and skills, linking experience and skills to increased compensation and benefits for early education teachers, including health insurance, retirement benefits, paid vacation, and other leave time
- The budget requires programs to meet new career ladder salaries for educators or make progress towards those salaries as part of their participation in the direct-to-provider operations grant program. .
- The budget makes permanent a scholarship program for early education educators, which can be used to cover the cost of tuition, fees, related child care expenses, and other supports needed to successfully participate in certificate, associate or bachelor's degree programs.
- The budget establishes a loan forgiveness program for early educators, with preference to those working in communities predominantly serving high-needs children or areas with a shortage of child care slots.

## HOW THIS BUDGET IMPACTS PROVIDERS

- The budget makes the direct-to-provider operations grant program, known as C3, permanent. It also lays out eligibility requirements for programs including that they will need to be willing to accept children receiving childcare financial assistance, though providers will not be required to have children receiving CCFA enrolled. Large for-profit providers (more than 10 programs) will have to meet additional eligibility requirements.
- The budget requires an updated funding formula by January 2025 and for the next five years will require 50% of grant funds to go to providers who serve at least 25% high needs children and large for-profit providers are capped at receiving more than 1% of grant funds (\$4,750,000 for FY25).
- The budget directs the Massachusetts Department of Early Education and Care (EEC) to update the child care financial assistance reimbursement rate structure to reflect the true cost of providing high-quality early education and care.
- The budget directs EEC to develop an early education and care career ladder by January 2025. Meeting the career ladder guidelines or making significant progress towards them will be a requirement for renewal of Operations Grants.
- The statutory limit on how many Children a Large Family Child Care Program can serve was lifted (though it still currently exists in EEC regulations).

# APPENDIX A

Appropriations by line item in each budget proposal and compared to FY24 funding.

Acct #	Account Name	FY24 Final Budget	FY25 Governor Proposal	FY25 House Final	FY25 Senate Final	FY25 Final Legislature Budget
1596-2410	Child Care Grants to Providers	NA	\$150,000,000	\$175,000,000	\$150,000,00	\$175,000,000
1596-2411	Income Eligible Waitlist	\$25,000,000	0	\$30,000,000	0	\$15,000,000
1596-2412	CPPI Pre-K Initiative	\$5,500,000	\$210,000,00	0	\$15,000,000	\$5,000,000
1596-2434	Rate Increase for Early Education and Care	25,000,000	\$65,000,000	\$65,000,000	\$65,000,000	\$65,000,000
1596-2435	Child Care Affordability	NA	\$75,000,000	0	\$80,000,000	\$18,000,000
1596-2436	Mental Health Framework Development (Birth-Higher Ed)	NA	NA	NA	\$7,500,000	\$5,000,000
1596-2437	Literacy Launch	NA	\$30,000,000	\$30,000,000	\$10,000,000	\$20,000,000
3000-1000	EEC Admin	\$12,426,537	\$12,189,926	\$40,218,027	\$12,189,926	\$27,668,027
3000-1020	Quality Improvement	\$46,706,191	\$47,603,764	\$47,603,764	\$53,603,764	\$52,603,764
3000-1045	Stabilization Grants	\$475,000,000	\$32,5000,000	\$200,000,000	\$325,000,000	\$300,000,000
3000-1049	Employer Pilot	NA	NA	NA	\$2,500,000	\$2,500,000
3000-2000	Access Management (CCR&Rs)	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
3000-2050	Children's Trust Fund Operations	\$2,191,283	\$2,391,367	\$2,391,367	\$2,391,367	\$2,391,367
3000-2060	Child Sex Abuse Prevention	\$2,350,000	\$2,351,044	\$2,351,044	\$2,351,044	\$2,351,044
3000-3060	Supportive Child Care and TANF	\$356,587,135	\$356,587,135	\$356,587,135	\$356,587,135	\$356,587,135
3000-4060	Income Eligible Child Care Access	\$407,188,233	\$417,188,233	\$417,188,233	\$417,188,233	\$417,188,233
3000-5000	Head Start Grants	\$17,500,000	\$15,000,000	\$17,500,000	\$18,500,000	\$18,500,000
3000-6025	Commonwealth PreSchool Partnership	\$15,000,000	\$17,673,127	\$15,000,000	\$17,523,127	\$17,523,127
3000-6075	Early Childhood Mental Health Consultation Services	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
3000-7000	Children's Trust Fund	\$17,555,526	\$17,684,101	\$17,684,101	\$17,684,101	\$17,684,101
3000-7040	EEC Contingency Contract Retained Revenue	\$320,000	\$520,000	\$520,000	\$520,000	\$520,000
3000-7050	Services for Infants and Parents	\$11,859,190	\$11,859,190	\$11,859,190	\$11,859,190	\$11,859,190
3000-7052	Parent Child Plus Program	\$4,250,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,250,000
3000-7055	Neighborhood Villages Pilot Program	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
3000-7066	Higher Education Opportunities	\$10,000,000	\$10,000,000	\$10,000,000	0	\$8,000,000
3000-7070	Reach Out and Read	\$1,750,000	\$1,000,000	\$1,750,000	\$1,000,000	\$1,750,000

## APPENDIX B

*EEC related outside sections.*

Section #	Focus of Section
23	Early Education and Care Educator Loan Forgiveness
23	Early Education and Care Educator Scholarship
25	Large Family Childcare Home Enrollment Limit
26	EEC rate structure and family payment limits
27	EEC Data Collection
28	EEC Annual Reporting
29	EEC advisory council member name update
30	EEC advisory council member name update
31	Establishment of Data Advisory Commission
32	CCFA eligibility priorities and eligible income levels
33	Family Child Care Definitions
34	Deductions from C3 grants for FCC Union Dues
35	Definition update
36	Operations Grants parameters-funding, uses, program eligibility
182	Cost of Care Methodology
183	Report on Employer Participation in Supporting EEC Access
184	Directive to Create and Share Updated Operations Grant Formula
185	Directive for EEC to Establish a Career Ladder
186	EEC Family, Friend and Neighbor Care Study
187	Early Education and Out of School Time Capital Fund Report
188	Operational Grants Usage Report
189	FY25 Operational Grant Distribution of Funding
190	Operations Grant Report
191	Ends Annual Operations Grant Distribution Report (section 190)
192	Workforce Pipeline Report
253	Career Ladder and CCFA eligibility expansion to 85% SMI effective date: January 15, 2025
254	Effective Date for New Operations Grant Formula and Parameters: July 1, 2025
259	Effective Date for Ending Operations Grant Distribution Report in 2028
261	Ends mandate for 50% of Operational Funds to go to providers serving at least 25% "high need" children
262	Makes section 261 effective through FY29