

Case Study: Massachusetts



MASSACHUSETTS

In 2024, Massachusetts became the first state in the country to adopt significant guardrails to limit the eligibility of private equity to directly receive public funds from the Commonwealth of Massachusetts through the state's Commonwealth Cares for Children (C3) operations grants.¹

The C3 program was originally established as a mechanism to quickly disburse monies from the American Rescue Plan Act² – a federal measure to support child care providers during the COVID-19 pandemic and pandemic recovery period.³ While these grants were initially introduced as an emergency sector

stability measure, they proved incredibly successful not only in stabilizing supply-side capacity but also in propelling educator wage growth and suppressing tuition increases.⁴ When federal funding expired in 2023, Massachusetts began to finance the C3 program with state dollars.⁵

Since the introduction of the C3 grants in 2021, and especially as the COVID-19 pandemic highlighted weaknesses in the state's care infrastructure,⁶ codification of and continued state appropriation to this direct-to-provider operations grants program was a priority for Massachusetts early education

1 In Massachusetts, the guardrails were included in the state's annual budget for Fiscal Year (FY) 2025. Notably, C3 differs from traditional public funding for the early education sector, in that public funds are distributed directly to providers in grant form, as opposed to indirectly through vouchers awarded to eligible low-income families. "Trend of Investor-Backed Child Care Highlights Need for Public Investment in Sector," Neighborhood Villages, Inc., accessed February 12, 2026, <https://www.neighborhoodvillages.org/desktop/trend-of-investor-backed-child-care-highlights-need-for-public-investment-in-sector>.

2 "The Massachusetts government realized that without intervention, many [child care] providers would shut their doors permanently . . . The state's response was the Commonwealth Cares for Children (C3) Stabilization Grant program. Beginning in 2021, Massachusetts used federal American Rescue Plan Act (ARPA) funds to send monthly grants to childcare providers to cover fixed costs, salaries, and quality improvements. Unlike competitive grants, C3 was non-competitive and formula-based—virtually all licensed providers could apply and receive funding pegged to their capacity and other factors." "Massachusetts C3 Grants: Post-Pandemic Childcare Stabilization and Expansion," U.S. Chamber of Commerce Foundation, accessed February 12, 2026, <https://www.uschamberfoundation.org/solutions-bank/massachusetts-c3-grants-post-pandemic-childcare-stabilization-and-expansion>

3 Julia O'Keefe, "Massachusetts budget makes covid-era childhood grants permanent," WWLP-22News, updated July 30, 2024, <https://www.wwlp.com/news/local-news/massachusetts-state-budget-makes-covid-era-childhood-grants-permanent/>.

4 "Commonwealth Cares for Children (C3) Operations Grants: Critical to Sustaining and Growing the Capacity of Massachusetts' Early Education and Care Sector," Neighborhood Villages, Inc., accessed February 12, 2026, https://static1.squarespace.com/static/5fb182ccf44df56affd26514/t/63e12198f2b1f375bed4aea3/1675698584419/NV+C3+Fact+Sheet_Final%282.6.23%29.pdf

5 Notably, this was in contrast to many other states that did not fill in the gap. Julie Kashen and Laura Valle Gutierrez, "With Arrival of Child Care Cliff, Some States Have Stepped in to Save the Sector," The Century Foundation, January 17, 2024, <https://tcf.org/content/report/with-arrival-of-child-care-cliff-some-states-have-stepped-in-to-save-the-sector/#easy-footnote-bottom-16-55281>.

6 Sarah Jackson, "When the Bough Breaks: Why Now Is the Moment to Invest in Massachusetts' Fragile Child Care System. Understanding Boston, Boston Foundation, December 2021 <https://eric.ed.gov/?id=ED616894>.

and child care advocates.⁷ The sector⁸ argued that making the C3 grants program permanent and consistent would provide a major source of stabilization:⁹ steady public funding would help ensure adequate provider compensation, promote provider retention, and, in turn, improve the quality and quantity of care.¹⁰

As the wake of the pandemic waned, advocates questioned whether private equity should remain eligible to receive C3 public funds. They began to encourage lawmakers to pursue regulatory guardrails to ensure public resources would not be diverted to institutional investors.¹¹

The need for guardrails on public funding for the child care sector was acutely underscored by the 2024 collapse of Massachusetts' Steward Health Care system, which highlighted the "human cost of [the] financial neglect" endemic to private equity investment.¹² There were many "harrowing" stories from the Steward crisis that pushed private equity greed, its foray into public services, and the concomitant consequences into the "forefront."¹³ As just one example, at least 15 people died directly "due to a lack of staff or a lack of supplies and equipment" at the hospital system boasting a CEO who owned two yachts.¹⁴ The significant media coverage this disaster received and the utter "failure" it revealed shone a bright and

7 Elizabeth Leiwant, interview by Nina Dastur and Sonia Marton, December 4, 2025. This was in large part because C3 funds were intended and used for operating expenses, such as personnel and building maintenance and development. Instability in an operating budget will, of course, impact operation generally. Advocates were concerned about the sector-wide precarity such instability could trigger. O'Keefe, "Massachusetts budget."

8 Inclusive of both providers and advocates, as used here.

9 "Neighborhood Villages Celebrates Early Education Funding in Senate FY25 State Budget," Neighborhood Villages, Inc., May 24, 2024, <https://www.neighborhoodvillages.org/news-updates/neighborhood-villages-celebrates-early-education-funding-in-senate-fy25-state-budget>. Indeed, over 1,100 programs would have closed without access to the funds. Victoria Bergeron, "Importance of C3 Continuation for the Commonwealth," Massachusetts Taxpayers Foundation, accessed February 12, 2026, <https://masstaxpayers.org/sites/default/files/publications/2024-03/MTF%20Chartbook%20-%20Importance%20of%20C3%20Continuation.pdf>.

10 There is good evidence that regular and consistent interaction with the same adult has significant impact on a child's wellbeing. However, because caregiver working conditions, most quantifiably measured by caregiver compensation, are so poor, there are high rates of caregiver burnout. When insufficient compensation drives insufficient retention, and insufficient retention leads to inconsistency of care, a child's well-being becomes directly correlated to provider pay. Moreover, provider pay is the most significant cost in the caregiver ecosystem, making up almost 70% of the price tag. Thus, caregiver compensation and retention are core metrics to assess the quality of the child care sector. Leiwant, interview.

11 Leiwant, interview. Notably, and in addition to pursuing private equity guardrails for the C3 program, advocates also focused on ensuring that public funds awarded to employers as part of the Commonwealth's Employer Child Care Innovation Fund (another program in the 2025 state budget) prioritized community partnerships and building the capacity of local early education providers. Governor Maura Healey and Lt. Governor Kim Driscoll, "Healey-Driscoll Administration Launches \$2.5 Million Employer Child Care Innovation Fund," October 8, 2025, <https://www.mass.gov/news/healey-driscoll-administration-launches-25-million-employer-child-care-innovation-fund>.

12 William Brangham, Karina Cuevas, Azhar Merchant, "Investigation reveals how investors made millions as Steward Health Care system collapsed," PBS News Hour, September 12, 2024, <https://www.pbs.org/newshour/show/investigation-reveals-how-investors-made-millions-as-steward-health-care-system-collapsed>.

13 Leiwant, interview.

14 Brangham, Cuevas, Merchant, "Investigation."

timely spotlight on the dire harm that can come from private equity profiteering in the care sector.¹⁵

In this fallout of the Steward Health Care crisis, advocates became increasingly concerned about the limited capacity of families to engage in the “deep research” often required to determine who owned a care facility and make enrollment decisions accordingly.¹⁶ While center ownership is neither the key nor the only factor relevant to parents’ enrollment decisions, advocates believed the consequences of private equity ownership was information parents should be aware of when making choices about who would be providing care for their children.¹⁷

Taken together, the more advocates and legislators came to understand about private equity and its impacts in the care economy in Massachusetts, “the more the distinct challenges and concerns of private equity-backed providers became apparent.”¹⁸ By the spring of 2024, as the state Fiscal Year 2025 budget was being finalized, legislators and advocates were aligned on the need for greater intentionality regarding the disbursement of public funds to private equity-backed

providers.

In the process of codifying C3 funding limitations, state legislators’ primary priority was making sure new guardrails would not impede already insufficient access to care.¹⁹ Advocates were similarly focused on ensuring continued provision of public funds for small for-profit providers, a critical part of the care ecosystem, while protecting against largescale for-profit provider profiteering.²⁰ In addition, lawmakers and advocates wanted to protect against large for-profit provider chains gaining too significant a market share, given the consequences to families should such a chain fail.²¹

To address all of these concerns, lawmakers settled on a program-size approach for access to public C3 funds in the state’s FY25 budget. This careful delineation placed a cap on annual funding for for-profit providers that operate more than 10 center-based programs.²² Per the 2025 Fiscal Year budget, such programs cannot receive more than 1% of total C3 funds in a fiscal year.²³ (The budget also authorizes the state’s Department of Early Education and Care to grant a waiver of the 1% limit, if it determines such a waiver to be in the best

15 Brangham, Cuevas, Merchant, “Investigation.”

16 Leiwant, interview. As important context, young families were leaving the state en masse due to the ever-growing cost of child care and other quotidian expenses at the time. Miles Howard, “Boston could lose 25% of its young people. I may join the exodus,” WBUR, March 26, 2024, <https://www.wbur.org/cognoscenti/2024/03/26/boston-chamber-of-commerce-young-people-survey-exodus-miles-howard>.

17 Here, consequences of private equity ownership meaning the natural results of prioritizing profits over families. Leiwant, interview.

18 Leiwant, interview.

19 Leiwant, interview.

20 To be clear, lawmakers were concerned about profiteering that arises as a result of the nature of private equity’s normal business operations, not nefarious behavior per se. Leiwant, interview.

21 Vulnerabilities that had been particularly highlighted by the Steward Health Care crisis, discussed above. Leiwant, interview.

22 While advocates may have preferred a lower threshold to trigger funding limits, legislators maintained that a ten-center ceiling would keep out most nefarious corporate actors without incidentally blocking mid-sized providers from needed state support. Leiwant, interview.

23 “Section 36 Operational Grants 1, EEC Career Ladder 1, Online Lottery 4,” Budget Summary FY2025 Enacted, Commonwealth of Massachusetts, <https://budget.digital.mass.gov/summary/fy25/outside-section-all/>.

interest of the Commonwealth.²⁴⁾

Of note, proposed guardrails for the C3 program first entered the public conversation in March 2024, when the Massachusetts State Senate passed its version of the Early Ed Act.²⁵ In response, private-equity backed programs began organizing teachers and directors to testify in hearings and other public fora against the guardrails.²⁶ Even in the face of opposition, advocates in favor of the Early Ed Act's language worked relentlessly to ensure that taxpayer funds would be protected from private profiteering in the FY25 budget by the June budget deadline.²⁷

Indeed, and beyond the codification of the C3 program and its protections against profiteering, the FY25 budget also reflected advocates' multi-pronged approach to holistically transform the

state's child care system.²⁸ For instance, the budget included targeted support for small providers, families, and the industry overall, such as a "record" \$1.5 billion investment in the early education sector and expansions to public child care financial assistance eligibility.²⁹ These historic investments along with other equity-oriented measures³⁰ render the FY25 budget a monumental and holistic investment in the sector.³¹

Moreover, intentional prioritization of C3 funds to non-profit and smaller for-profit providers, especially those serving low-income populations, has helped to "stabiliz[e]" the child care sector³² and has likely contributed to a demonstrated increase in licensed family child care homes.³³ Advocates continue to press for further reform, especially toward greater investment in the C3 program, professional development support and wage

24 "Section 36" Commonwealth of Massachusetts.

25 "Massachusetts Senate acts to transform early education and care," Senate Press Room, March 14, 2024, <https://malegislature.gov/PressRoom/Detail?pressReleaseId=67>.

26 Leiwant, interview.

27 Leiwant, interview; "What the Massachusetts 2024 Legislative Reforms Mean," Neighborhood Villages Advocacy, accessed February 12, 2026, <https://static1.squarespace.com/static/5fb182ccf44df56affd26514/t/67475edbc8b8fe13c2de0408/1767819593025/NV+FY25+Budget+Impact.pdf>.

28 Lauren Birchfield Kennedy, "Mass. takes major step toward child care reform," Commonwealth Beacon, August 8, 2024, <https://commonwealthbeacon.org/opinion/mass-takes-major-step-toward-child-care-reform/>.

29 "Neighborhood Villages Celebrates," Neighborhood Villages, Inc.

30 The C3 program prioritizes early education programs that enroll higher percentages of children receiving public Child Care Financial Assistance and/or operate in low opportunity areas. The C3 program also includes the requirement that programs must invest a certain amount of C3 grant in support (such as investment in, compensation) for their early educator workforce. "Continued Impact of the Commonwealth Cares for Children (C3) Operations Grants Program 2025 STATUS CHECK," Neighborhood Villages, Inc., accessed February 12, 2026, [https://static1.squarespace.com/static/5fb182ccf44df56affd26514/t/6920784cf7200c1ce34af958/1763735628636/NV+Continued+Impact+of+the+Commonwealth+Cares+for+Children+\(C3\)+Operations+Grants+Program+%E2%80%93+2025+Status+Check.pdf](https://static1.squarespace.com/static/5fb182ccf44df56affd26514/t/6920784cf7200c1ce34af958/1763735628636/NV+Continued+Impact+of+the+Commonwealth+Cares+for+Children+(C3)+Operations+Grants+Program+%E2%80%93+2025+Status+Check.pdf).

31 "Trend," Neighborhood Villages, Inc.

32 "Continued Impact" Neighborhood Villages, Inc.

33 Holly Evans, "New Resource Reveals Notable Changes in Price and Supply of Child Care," First Five Years Fund, May 16, 2025, <https://www.ffyf.org/resources/2025/05/new-resource-reveals-notable-changes-in-price-and-supply-of-child-care/>.

increases for educators, and improved family affordability.³⁴ Indeed, and perhaps most importantly, the FY25 budget established a foundation for equitable growth for the state's

child care sector: the new stable and targeted funding makes room for more equitable regulation in the future.³⁵

34 "Top 5 Takeaways From the Massachusetts Senate Fiscal Year 2026 Budget Proposal," Neighborhood Villages, Inc., accessed February 12, 2026, <https://www.neighborhoodvillages.org/desktop/top-5-takeaways-from-the-massachusetts-senate-fiscal-year-2026-budget-proposal#:~:text=On%20May%2022%2C%202025%2C%20the%20Massachusetts%20Senate%20finalized,child%20care%2C%20dedicating%20%241.7%20billion%20to%20the%20sector.>

35 Leiwant, interview.

