



DISTRICT OF COLUMBIA

OFFICE OF THE STATE SUPERINTENDENT OF

**EDUCATION**

## **Child Development Facility (CDF) Payroll Funding Formula September 2023 Update**

In April 2023, the Office of the State Superintendent of Education (OSSE) published a “Child Development Facility (CDF) Payroll Funding Formula” document. This document contains updates to the April publication.

### **Background**

DC Code [§ 4-402\(b\)\(1\)](#), established by the Fiscal Year 2023 (FY23) Budget Support Act of 2022, requires the Office of the State Superintendent of Education (OSSE) to establish a funding formula (the child development facility payroll funding formula, or CDF payroll formula) for the purposes of determining the payment amounts to be received by child development facility operators that choose to participate in the District’s Early Childhood Educator Pay Equity Fund. Beginning in FY24, child development facility operators that enter into an agreement with OSSE to receive funds via the CDF payroll formula will be required to pay eligible teachers and assistant teachers, by position and degree, salaries that meet or exceed minimum salaries established at DC Code [§ 4-410.02\(b\)](#). District law requires OSSE to recommend updates to the minimum salary tables annually and for minimum salaries to be set in line with salaries for District of Columbia Public Schools (DCPS) teachers with comparable credentials.

In creating a CDF payroll funding formula, OSSE is required to consider the recommendations of the Final Report of the Early Childhood Educator Equitable Compensation Task Force and OSSE’s 2023 cost modeling analysis. The CDF payroll funding formula must incorporate the estimated cost for child development facilities to implement the minimum salaries established by OSSE, the total cost of payments to be made to child development facilities in FY24, and an explanation of the methodology used to develop the CDF payroll funding formula. The payroll funding formula must account for valid and reliable indicators of child, family or community economic disadvantage to direct increased funding to child development facilities that serve families and communities with fewer economic resources.<sup>1</sup>

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<sup>1</sup> DC Official Code § 4-402(c)(1); See “Final Report of the Early Childhood Educator Equitable Compensation Task Force,” (Mar. 23, 2022), [lms.dccouncil.gov/downloads/LIMS/49122/Introduction/RC24-0154-Introduction.pdf](https://lms.dccouncil.gov/downloads/LIMS/49122/Introduction/RC24-0154-Introduction.pdf).

The FY24 Budget Support Act of 2023 provided \$69,508,332 in funding for FY24 for the Early Childhood Educator Pay Equity Fund. These funds, along with any unspent amounts carried over from FY22 and FY23, will be available to cover CDF payroll formula payments in FY24.<sup>2</sup>

### **Early Childhood Educator Pay Equity Fund Definitions**

For purposes of the Early Childhood Educator Pay Equity Fund, DC Code §4-401 defines “Teacher” and “Assistant Teacher” more broadly than they are defined in OSSE licensing regulations. For the Early Childhood Educator Pay Equity Fund “Teacher” includes a teacher in a child development center, a Montessori teacher, and a home or expanded home child care provider. “Assistant Teacher” includes an assistant teacher in a child development center and an associate caregiver in a child development home.

### **CDF Payroll Funding Formula**

OSSE developed the CDF payroll formula based on the recommendations of the Early Childhood Educator Equitable Compensation Task Force. The Task Force recommended a formula based primarily on the number of teachers and assistant teachers employed by a child development facility, along with an “equity adjustment” for facilities that meet certain criteria. OSSE used the formula model included in the Task Force report as the starting point for the CDF payroll formula. Consistent with the Task Force’s recommendation, the CDF payroll formula uses the number of eligible teachers and assistant teachers per facility as the driver of the base funding amount for facilities. In addition to an equity adjustment for eligible facilities, the formula includes an administrative enhancement for all facilities to cover additional costs associated with raising teacher salaries, as described further below.

The CDF payroll formula was developed based on data available from multiple sources, including facility-specific data in the OSSE Division of Early Learning Licensing Tool (DELLT), the 2022 DC Child Care Provider Survey, OSSE’s 2023 cost modeling analysis, and input from external stakeholders. OSSE published the CDF payroll funding formula in April 2023.<sup>3</sup> This document reflects changes made in September 2023 to increase CDF payroll funding formula awards for all facilities in FY24 (See Figure 1).<sup>4</sup>

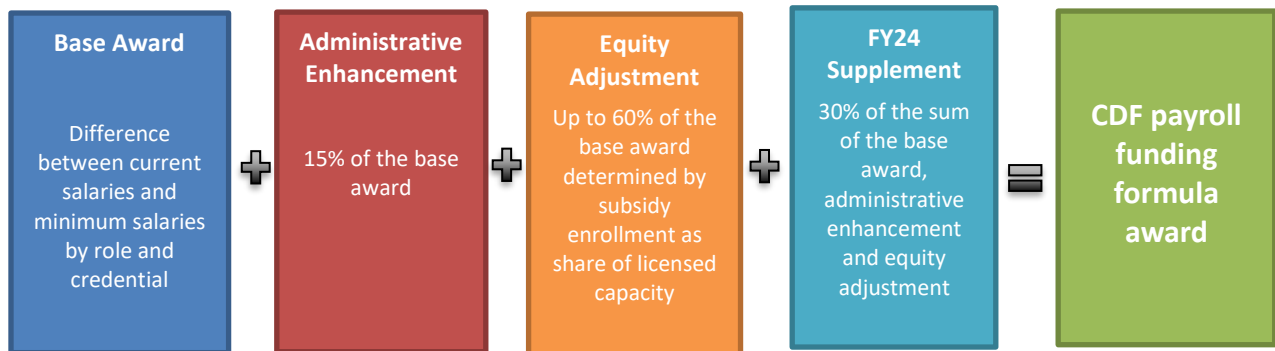
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<sup>2</sup> The Early Childhood Educator Pay Equity Fund is created as a non-lapsing fund, so funds that are not used in a given fiscal year are anticipated to continue to be available to carry out authorized uses of the Fund in future fiscal years.

<sup>3</sup> OSSE, *Child Development Facility (CDF) Payroll Funding Formula*, [osse.dc.gov/sites/default/files/dc/sites/osse/page\\_content/attachments/FY24%20Child%20Development%20Funding%20Payroll%20Funding%20Formula.pdf](https://osse.dc.gov/sites/default/files/dc/sites/osse/page_content/attachments/FY24%20Child%20Development%20Funding%20Payroll%20Funding%20Formula.pdf), 2023.

<sup>4</sup> OSSE, *Changes to the Fiscal Year (FY24) Early Childhood Educator Pay Equity Fund*, [osse.dc.gov/sites/default/files/dc/sites/osse/page\\_content/attachments/FY24%20Early%20Childhood%20Educator%20Pay%20Equity%20Fund%20Guidance%20September%202023.pdf](https://osse.dc.gov/sites/default/files/dc/sites/osse/page_content/attachments/FY24%20Early%20Childhood%20Educator%20Pay%20Equity%20Fund%20Guidance%20September%202023.pdf), 2023.

**Figure 1. FY24 Enhanced CDF Payroll Funding Formula**



**The CDF payroll funding formula consists of the following components:**

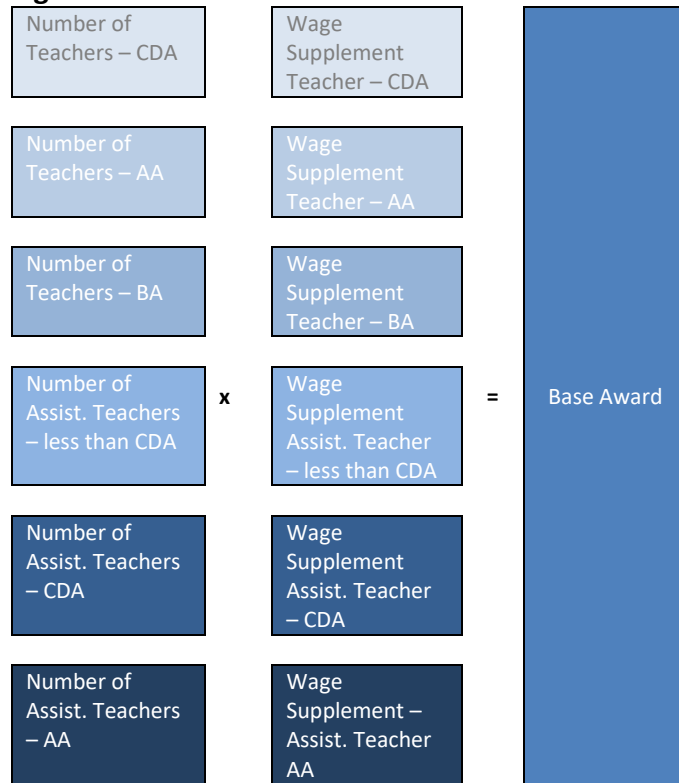
***Base Award***

The base award, the core component of the formula, is calculated by multiplying the number of eligible teachers and assistant teachers, by credential per facility, by the wage supplement for each role and credential (Figure 2).

The wage supplement, for each role and credential, is the difference between current salaries, by role and credential, and the minimum required salaries. Because OSSE does not have salary data for individual child care employees, wage supplements are calculated using District average “current salaries” for each eligible role, based on data used in the 2023 cost modeling analysis and informed by the 2022 DC Child Care Provider Survey, which asked child care program operators about current staff salaries. Consistent with the recommendation of the Early Childhood Educator Equitable Compensation Task Force, wage supplements will not vary by setting, ages of children cared for, or child development facility characteristics.

OSSE will calculate base funding amounts for each individual facility based on the number of eligible teacher and assistant teachers (as defined for the Early Childhood Educator Pay Equity Fund) and their credentials as reported by the facilities in DELLT. OSSE licensing regulations require all child development facilities to maintain up-to-date staff records in DELLT.

**Figure 2. Base Award Calculation**



**Administrative Enhancement**

Increasing staff pay has other costs for child development facilities, because some non-pay expenses (including mandatory payroll taxes and health or other discretionary benefits) increase as a function of staff pay and because record-keeping and other activities needed to participate in the fund will require time from program staff. The administrative enhancement is calculated at 15 percent of the base award to account for increases in mandatory payroll taxes and other possible increased expenses for the facility, such as staff time for updating staff records in DELLT. This is also consistent with the level of administrative funding commonly allowed by many grant programs.

**Equity Adjustment**

The FY23 Budget Support Act of 2022 requires OSSE to direct increased funding to child development facilities that serve families and communities with fewer economic resources. For this purpose, OSSE created an equity adjustment in the CDF payroll formula. For each facility, the equity adjustment will be calculated by multiplying the facility’s subsidy enrollment, as a percent of its licensed capacity, by 60 percent of the base award. In other words, a facility that has 100 percent subsidy enrollment will receive an equity adjustment equal to 60 percent of their base award. In September 2023, OSSE increased the equity adjustment from 40 percent to

60 percent in recognition that facilities serving higher concentrations of economically disadvantaged children need additional support to meet the minimum salary requirements.

OSSE is using subsidy enrollment as the driver of the equity adjustment for several reasons. First, subsidy and licensing data are accurate and reliable data that OSSE has access to for every child development facility. OSSE's licensing data system tracks information on every facility's licensed capacity. In addition, OSSE maintains data on the number of children receiving subsidies enrolled in each child development facility that accepts subsidies. Child development facilities do not submit enrollment information on children who do not participate in subsidy to OSSE. For this reason, the equity adjustment for a given facility will be calculated by dividing the number of children in a facility who receive subsidy by the facility's total licensed capacity. The resulting percentage will then be multiplied by 60 percent, and the resulting percentage multiplied by the facility's base award to determine its equity adjustment. This approach will result in facilities that serve higher percentages of children participating in child care subsidies receiving equity adjustments that are larger, in proportion to their base funding amount, than those serving lower percentages of children receiving subsidies. By using data that OSSE already collects through other programs, this approach will minimize additional administrative burden on child care providers.

OSSE consulted private tuition rates, as reported in the 2022 DC Child Care Provider Survey, and OSSE's cost estimation tool and concluded that facilities providing subsidized care likely have fewer resources to meet minimum salary requirements, as they are serving families of more modest means. Additionally, children receiving subsidies may have needs that require additional resources, leaving facilities with fewer resources to put towards staff salaries.

Facilities that do not participate in the child care subsidy program may participate in the Early Childhood Educator Pay Equity Fund but will not receive equity adjustments to their base funding amount.

***FY24 Supplement (Added September 2023)***

In September 2023, OSSE announced changes to the FY24 payroll funding formula that would increase awards for child development facilities and added the FY24 supplement to the CDF payroll funding formula. The FY24 supplement is calculated by multiplying the sum of a facility's base award, administrative enhancement and equity adjustment by 30 percent. OSSE intends the supplement to be temporary to support facilities in meeting minimum salary requirements in the first year of the program's implementation.

## Projected Costs for FY24

OSSE is required to estimate the cost for child development facilities to implement the FY24 minimum salaries and the estimated total cost of payments to be made to child development facilities in FY24 through the CDF payroll funding formula.<sup>5</sup>

### Cost to Facilities to Implement the FY24 Minimum Salaries

Beginning in FY24, any child development facility that receives money from the CDF payroll funding formula fund will be required to pay teacher and assistant teacher salaries that meet or exceed the minimum salaries established at DC Code § 4-410.02, by role and credential (See Table 1). District law requires OSSE to recommend updates to the minimum salary tables annually and for minimum salaries to be set in line with salaries for DCPS teachers with comparable credentials.

In January 2023, a collective bargaining agreement between DCPS and the Washington Teachers' Union (WTU), was submitted to the DC Council for approval. The agreement will revise the DCPS teacher salary schedule effective Oct. 9, 2022.<sup>6</sup> Because minimum salaries for the Early Childhood Educator Pay Equity Fund (DC Code § 4-410.02) are intended to provide pay parity between teachers in licensed child development facilities and DCPS teachers with comparable degrees, OSSE updated the minimum salaries for FY24 consistent with the updated DCPS salary scale and is using these revised minimum salaries as the basis for projecting costs in FY24.

To determine the cost of implementing the minimum salary requirement, it is necessary to compare the new minimum salaries to current salaries. As noted previously, OSSE used the average teacher and assistant teacher salaries included in the 2023 cost modeling analysis (see Table 1) and the minimum salaries updated by OSSE in accordance with legislation to calculate the wage supplement for each eligible role and credential for FY24.

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<sup>5</sup> DC Official Code § 4-402(c)(1).

<sup>6</sup> "Compensation and Working Conditions Agreement between the District of Columbia Public Schools and the Washington Teachers' Union, Local #6 of the American Federal of Teachers Approval Resolution of 2023," (Jan. 27, 2023), [lms.dccouncil.gov/downloads/LIMS/52127/Introduction/PR25-0063-Introduction.pdf](https://lms.dccouncil.gov/downloads/LIMS/52127/Introduction/PR25-0063-Introduction.pdf).

**Table 1. Comparison of Current Teacher Salaries and FY24 Minimum Salaries Required for Programs Receiving Pay Equity Funds**

Role	Current Average Annual Salary (Cost Model)	Minimum Salaries Established in FY23 Budget Support Act of 2022		FY24 Minimum Salaries as Revised by OSSE Based on New DCPS Salary Schedule	Difference between current salaries and FY24 Minimum Salaries Proposed by OSSE Based on DCPS Salary Schedule
Assistant Teacher	\$41,536	Less than a CDA	\$39,520	\$ 43,865	\$2,329
		CDA	\$45,488	\$51,006	\$9,470
		Associate degree or higher	\$48,216	\$54,262	\$12,726
Lead Teacher	\$45,759	CDA	\$48,216	\$ 54,262	\$8,503
		Associate degree	\$56,725	\$ 63,838	\$18,079
		Bachelor’s degree or higher	\$66,735	\$ 75,103	\$29,344

*Sources: Current salaries are based on responses to the 2022 DC Child Care Provider Survey.*

**Total Cost of Payments to Child Development Facilities in FY24 Through the CDF Payroll Funding Formula**

In FY24, OSSE projects the total cost of CDF payroll formula payments to facilities to be \$74.7 million if every licensed facility participates for the entirety of the year (see Table 2).<sup>7</sup> While OSSE encourages all eligible child development facilities to participate in the Early Childhood Educator Pay Equity Fund, it is unlikely that all eligible facilities will opt-in to the program; thus, actual program costs will likely be lower.

In December 2016, OSSE published updated [child care licensing regulations](#) that increased the minimum education requirements for the early childhood workforce. Because minimum salaries required under the Early Childhood Educator Pay Equity Fund tie higher compensation to higher credential or degree attainment, increases in educational attainment among the early childhood workforce will increase total CDF payroll formula costs as facilities come into compliance with the requirements. Cost projections included in this document reflect current staff credentials as of August 2023.

<sup>7</sup> When OSSE published the CDF Payroll Funding Formula in April 2023, the FY24 cost projections included two calculations: 1) the cost of supplementing teacher salaries based on credentials currently held by educators and 2) the cost of supplementing teacher salaries once all educators meet the new credential requirements that will be in effect as of Dec. 2, 2023. In this document, OSSE is only including the cost of supplementing teacher salaries based on credentials currently held by educators. These projections are based on the highest credentials held by educators as of Aug. 2023 and are likely to more closely reflect the actual highest credentials that educators will hold in Oct. 2023 when the CDF payroll funding formula is first calculated. OSSE recognizes that as more educators earn higher credentials and degrees, costs for the program will increase in future years.

**Table 2: Comprehensive Projected Costs to Implement the Early Childhood Educator Pay Equity Fund in FY24**

Cost Driver	Projected Cost
Base Award	\$33,490,446
Administrative Enhancement	\$5,023,567
Equity Adjustment	\$2,429,412
FY24 Supplement	\$12,283,028
<b>CDF Payroll Fund Formula Payments to Facilities</b>	<b>\$53,226,453</b>
HealthCare4ChildCare	\$18,000,000
OSSE Administrative Costs	\$3,475,417
<b>Total Projected Pay Equity Fund Costs</b>	<b>\$74,701,869</b>

**Base Award**

The base award is calculated by multiplying the number of eligible teachers and assistant teachers, by credential per facility, by the supplement for each role and credential. To project total costs, OSSE calculated the number of eligible teachers based on staffing data in DELLT. As of August 2023, there were 3,531 active child care staff records in DELLT in roles that meet the eligibility definition for the Early Childhood Educator Pay Equity Fund (see Table 4).

**Table 3. Wage Supplement of Early Childhood Educators**

Role	Credentials	Current Credentials of Educators (as of August 2023)	
		Number of Educators	Difference between current average salary and FY24 minimum salaries
Assistant Teacher or Associate Home Caregiver	Less than a CDA	1,002	\$2,329
	CDA	424	\$9,470
	Associate Degree or higher	259	\$12,726
Lead Teacher, Home Caregiver or Expanded Home Caregiver	CDA	1,315	\$8,503
	Associate Degree	259	\$18,079
	Bachelor’s Degree or higher	272	\$29,344
<b>Total</b>		<b>3,531</b>	<b>\$35,490,446</b>



### ***Administrative Enhancement***

The administrative enhancement is calculated at 15 percent of the base award to account for increases in mandatory payroll taxes (10.4 percent in FY24) and other possible increased facility expenses as discussed above.

### ***Equity Adjustment***

The equity adjustment is calculated for each facility based on the facility's base award, its subsidized enrollment, and its licensed capacity. Based on data in the subsidy systems as of August 2023, 240 facilities enrolled children in the subsidy system and qualified for the equity adjustment. OSSE calculates the equity adjustment for those 240 facilities by dividing their subsidy enrollment by their licensed capacity. That quotient is then multiplied by 60 percent of the base award for each facility. This calculation results in an average equity adjustment for subsidy-participating facilities equal to 25 percent of their base award.

### ***FY24 Supplement***

The FY24 supplement is calculated at 30 percent of the sum of the base award, administrative enhancement and equity adjustment to increase CDF payroll funding formula amounts for all participating facilities in FY24. This component of the formula is intended to be temporary to support facilities in the first year of implementation.

### ***HealthCare4ChildCare***

Non-pay benefits, such as health insurance coverage, are also an important part of equitable compensation. In FY23, OSSE and the DC Health Benefits Exchange Authority (HBX) collaborated to launch HealthCare4ChildCare, an innovative initiative that makes free or low-cost health care coverage available to child care workers who live in the District and non-District residents whose employers purchase coverage through the Exchange. As authorized by DC Code § 1-325.431(c), OSSE used a portion of Early Childhood Educator Pay Equity Funds to cover the costs of HealthCare4ChildCare in FY23. It will require continued funding to maintain this program in FY24 and beyond. In FY23, OSSE allocated \$18 million for HealthCare4ChildCare. OSSE will continue to work with HBX to project updated costs for the program in FY24, based on utilization to date and anticipated need (including increased coverage needs due to employees losing Medicaid coverage in FY24). Because full FY23 utilization and eligible child care staff Medicaid participation data is not yet fully available, the FY23 funding level is used as a place holder for this cost projection.

### **Conclusion**

Based on the above cost estimation, the FY24 funding level for the Early Childhood Educator Pay Equity Fund, and funds carried over from prior fiscal years OSSE anticipates sufficient funding in FY24 to support implementation of the minimum early childhood educator salaries updated by OSSE in accordance with principles and does not anticipate a need to adjust the salaries in order to maintain the solvency of the fund in FY24.