



DISTRICT OF COLUMBIA

OFFICE OF THE STATE SUPERINTENDENT OF

EDUCATION

Child Development Facility (CDF) Payroll Funding Formula

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.¹ 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.

DC Code [§ 1-325.431\(b\)](#) authorizes funding for the Early Childhood Educator Pay Equity Fund of \$73,883,680 in FY24, and the following analysis proceeds with the assumption that these are

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.

¹ “Final Report of the Early Childhood Educator Equitable Compensation Task Force,” (Mar. 23, 2022), <https://lims.dccouncil.gov/downloads/LIMS/49122/Introduction/RC24-0154-Introduction.pdf>.

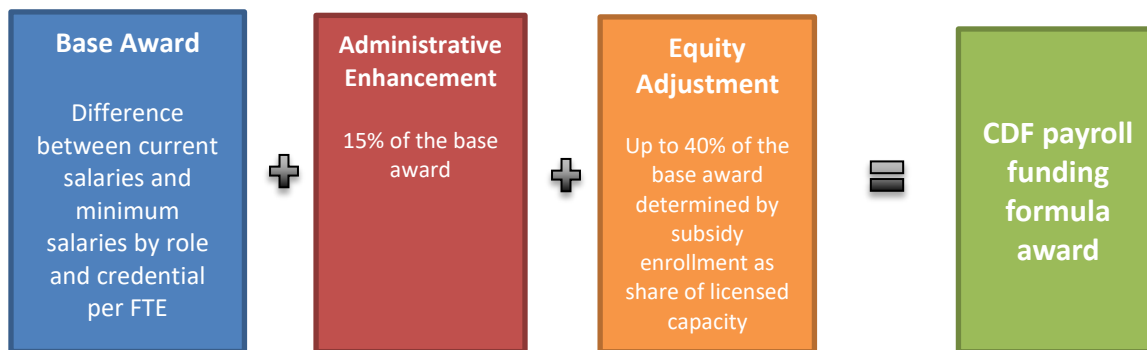
the funds, along with any unspent amounts carried over from FY22 and FY23, that will be available to cover CDF payroll formula payments in FY24.²

CDF Payroll Funding Formula

OSSE developed the CDF payroll formula (Figure 1) 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 teacher and assistant teacher 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.

Figure 1. CDF Payroll Funding Formula



The CDF payroll funding formula consists of the following components:

Base Award

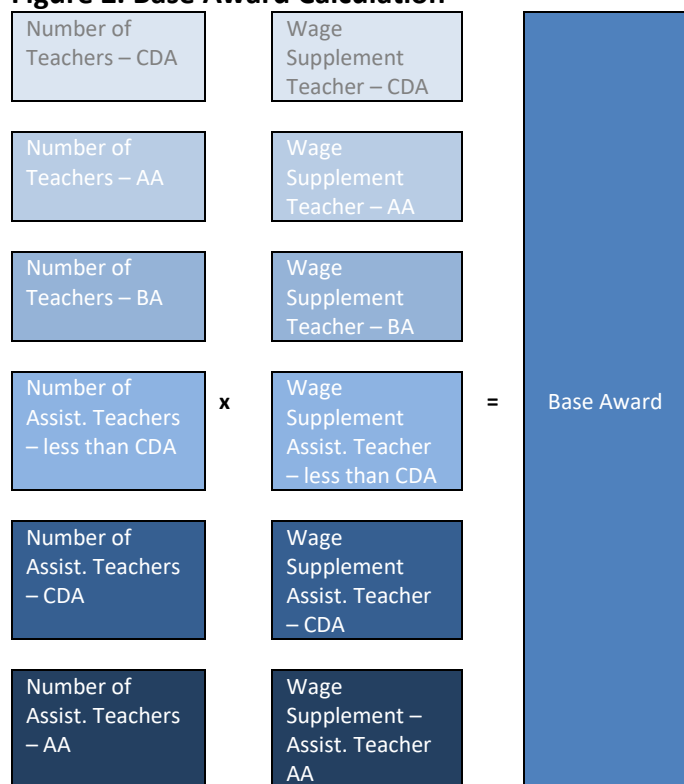
The base award, the core component of the formula, is calculated by multiplying the number of eligible teachers and assistant teachers, by credential per facility, by the wage supplement for each role and credential (Figure 2).

² 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.

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 40 percent of the base award. In other words, a facility that has 100 percent subsidy enrollment will receive an equity adjustment equal to 40 percent of their base award. OSSE selected 40 percent in recognition that facilities serving higher concentrations of economically disadvantaged children may have less access to resources and also need to provide additional services to meet children's needs.

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 40 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.

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.

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, 2022.³ 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.

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

³ “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.

		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
<i>Sources: Current salaries are based on responses to the 2022 DC Child Care Provider Survey.</i>					

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 \$46.2 - \$69.6 million (see Table 2). To project costs, OSSE conducted two calculations:

1. The cost of supplementing teacher salaries based on credentials currently held by educators.
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 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. Therefore, OSSE conducted two calculations and assumes costs will fall between the two depending on how many early childhood educators qualify for waivers from the requirements.

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

Cost Driver	Cost (Current Credential Levels)	Cost (New Credentials Effective Dec. 2023)
Base Award	\$35,248,535	\$53,111,040
Administrative Enhancement	\$5,287,280	\$7,966,656
Equity Adjustment	\$5,639,766	\$8,497,766
CDF Payroll Fund Formula Payments to Facilities	\$46,175,581	\$69,575,463
HealthCare4ChildCare	\$18,000,000	\$18,000,000
Total Projected Pay Equity Fund Costs	\$64,175,581	\$87,575,463

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 assumed the number of eligible teachers based on staffing data in DELLT. As of December 2022, there were 3,508 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 4. Wage Supplement of Early Childhood Educators

Role	Credentials	Current Credentials of Educators (as of December 2022)		Minimum Required Credentials as of Dec. 2, 2023	
		Number of Educators	Difference between current average salary and FY24 minimum salaries	Number of Educators	Difference between current average salary and FY24 minimum salaries
Assistant Teacher or Associate Home Caregiver	Less than a CDA	958	\$2,329	--	--
	CDA	84	\$9,470	1,342	\$9,470
	Associate Degree or higher	246	\$12,726	246	\$12,726
Lead Teacher, Home Caregiver or Expanded Home Caregiver	CDA	1,193	\$8,503	42	\$8,503
	Associate Degree	464	\$18,079	1,615	\$18,079
	Bachelor's Degree or higher	263	\$29,344	263	\$29,344
Total		3,508	\$35,248,535	3,508	\$53,111,040
<i>Current credentials of educators are the current credentials or degrees held by educators as reported in DELLT in December 2022. To calculate wage supplements under the new credential requirement, we assumed all educators who currently lack credentials or degrees required for their role by Dec. 2, 2023 will meet minimum education requirements in FY24.</i>					

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

When the CDF payroll funding formula is run, the equity adjustment will be calculated for each facility based on the facility's base award, its subsidized enrollment, and its licensed capacity.

To project FY24 costs, OSSE calculated the base award for educators working in facilities that accept subsidies. OSSE then calculated system-wide averages of subsidy enrollment and licensed capacity based on averages for these values for each type of licensed child development facility (e.g., child development home, expanded child development home, child development center). Finally, OSSE multiplied the system-wide average subsidy enrollment, as a share of the average system-wide licensed capacity by facility type, by 40 percent of the wage supplement for each setting. This calculation resulted in an average equity adjustment for subsidy-participating facilities equal to 16 percent of the total base award for FY24.

When OSSE calculates CDF payroll funding levels for individual facilities prior to the start of FY24, each individual facility’s pay equity adjustment will be based on its actual subsidy enrollment as a share of licensed capacity, not the averages below. But OSSE used the averages for the purposes of estimating system-level costs.

Table 5. Basis of Equity Adjustment Projection

Facility Type	Number of facilities accepting subsidies	Average Subsidy Enrollment by Setting	Average Licensed Capacity by Setting	Subsidy Enrollment as Share of Licensed Capacity
Centers	228	59	72	82%
Homes	25	2	6	35%
Expanded Homes	22	3	9	34%

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 and the FY24 funding level for the Early Childhood Educator Pay Equity Fund set in [§ 1-325.431\(b\)](#), OSSE anticipates sufficient funding in FY24 to support implementation of the minimum early childhood educator salaries updated by OSSE in accordance with principles set in DC Code [§ 4-410.02\(c\)](#) and does not anticipate a need to adjust the salaries in order to maintain the solvency of the fund in FY24.