



Early Childhood Educator Equitable Compensation Task Force

Meeting #4

July 2, 2024

Tonight's Agenda

- Welcome
- Budget Support Act (BSA) update – and implications for Task Force charge and timeline
- Update on quarter three (Q3) payments
- Defining the budget gap and potential responses
- Continuing to refine elements to consider for equity adjustment
- Closing and next steps

Task Force Core Charge

At the request of the DC Council, the Office of the State Superintendent of Education (OSSE) has reconvened the Task Force to help inform future implementation of the Early Childhood Educator Pay Equity Fund. To that end, the **Task Force will:**

- Reflect on implementation to date, **lessons** learned, and **opportunities for refinement or improvement** in the program's design.
- Consider questions related to the **long-term sustainability** of the Early Childhood Educator Pay Equity Fund – both for DC Government and for participating child care providers – for fiscal year 2026 (FY26) and beyond.
- Develop **recommendations** for addressing the **key identified areas for improvement**, along with the **financial sustainability** challenges.
- **Prioritize** our recommendations to guide future implementers.

Task Force Guiding Principles

Bring our expertise to the table – including lived experience.
Genuinely consider alternative perspectives and approaches.

Build on work to date.
Where possible, ground our analysis in data.

Serve as conduits for stakeholder groups – in both directions.

Advocate for all early educators within our diverse delivery model.

Center those furthest from opportunity and disrupt systemic
inequities.

Share the implementation hat.
Consider unintended consequences.

These principles
were adopted by
the Task Force in
October 2021 and
reaffirmed in
March 2024





FY25 Budget update – and implications for the Task Force

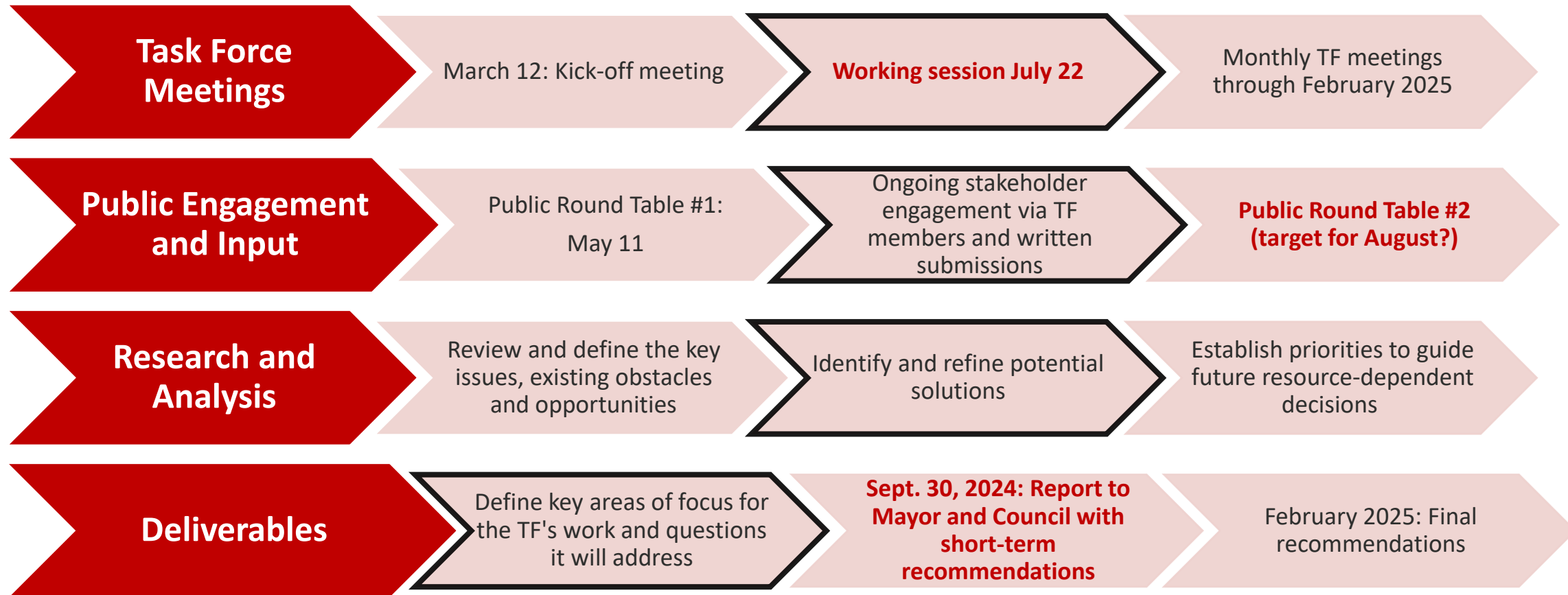
Update on FY25 Budget and implications for Task Force

The Council approved a budget that **funds the Pay Equity Fund at \$70 million** annually over the four-year budget plan, **including \$12 million** annually to the Health Benefits Exchange to support **HealthCare4ChildCare (HC4CC)**.

- The BSA directs the Task Force to submit a report to the Mayor and the Council by **Sept. 30, 2024** that recommends changes to the Pay Equity Fund, including recommendations **for limiting fiscal pressures** through FY28; proposes a new compensation scale that takes into account the compensation and benefits of individuals employed by the District of Columbia Public Schools (DCPS) and District public charter schools who teach pre-K and kindergarten; and provides recommendations for the allocation of monies available in the Pay Equity Fund.
- The BSA also includes a placeholder table of minimum salaries for the period from Oct. 1, 2024 through Dec. 1, 2024 that 1) eliminates the current minimum salary for educators with less than a Child Development Associate (CDA) and 2) reduces the minimum salary for bachelor's degree (BA) teachers to the same level as associate degree (AA) teachers. *The Task Force may make alternative recommendations for achieving the necessary savings.*

NOTE: The FY24 Q4 payment that OSSE will distribute in September will cover the period of October through December, with an expectation of maintaining current salary minimums.

Timeline for the Task Force's Work





Q3 Data

FY24 CDF payroll funding formula payments to date

Q1 Total
\$14,634,180

Q2 Total
\$16,575,000

Q3 Total
\$17,725,000

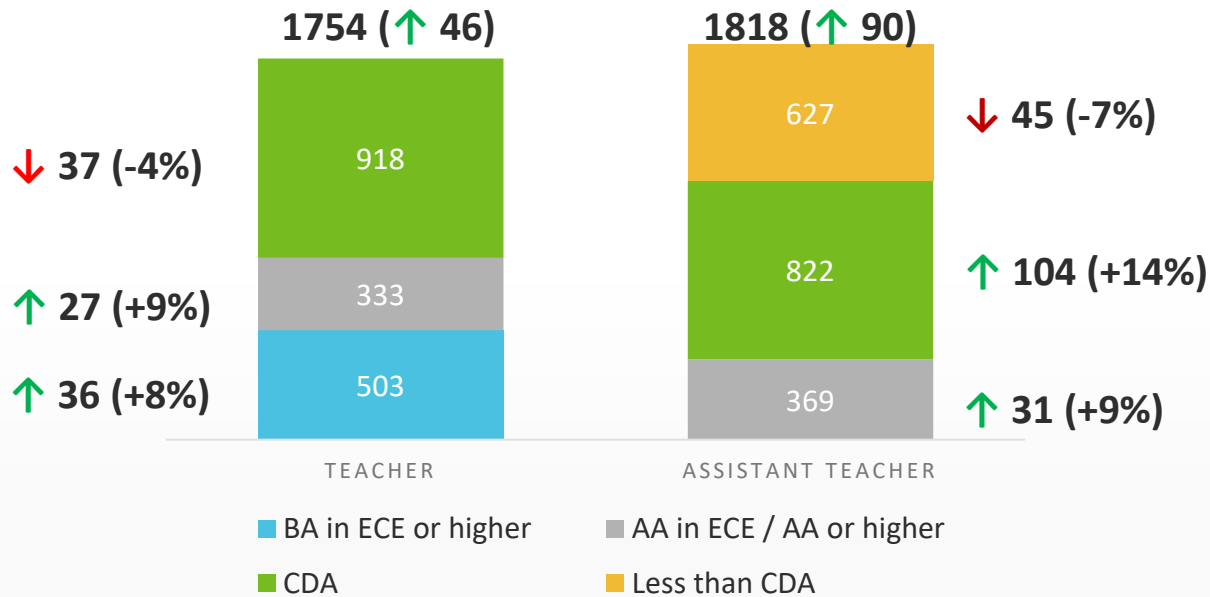
Using the *current formula*, estimated annual cost for **FY25**: \$70,901,400
(awards to facilities *only*)

Several factors contributed to the increase in CDF payroll funding formula awards from Q2 to Q3

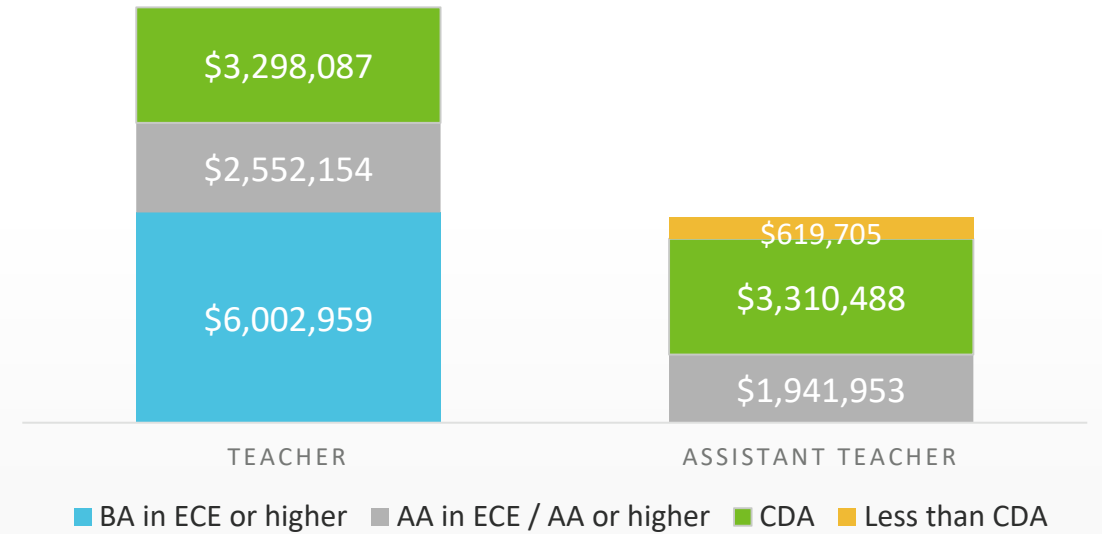
- The number of **participating providers** increased from 252 to 253.
- The number of **covered educators** increased from 3,456 to 3,572, and **distribution of credentials/degrees** shifted
 - The number of teachers with AA or BA or higher degrees increased, while the number with CDAs decreased.
 - The number of assistant teachers with CDAs or AA or higher degrees increased, while the number with less than a CDA decreased.
- The number of **children receiving subsidy** in Pay Equity Fund facilities increased from 4,060 to 4,392, driving an increase in the equity adjustment.

Q3 CDF payroll funding formula awards reflected increase in total educators and shift in distribution of credential/degree

Number of teachers by role and credential

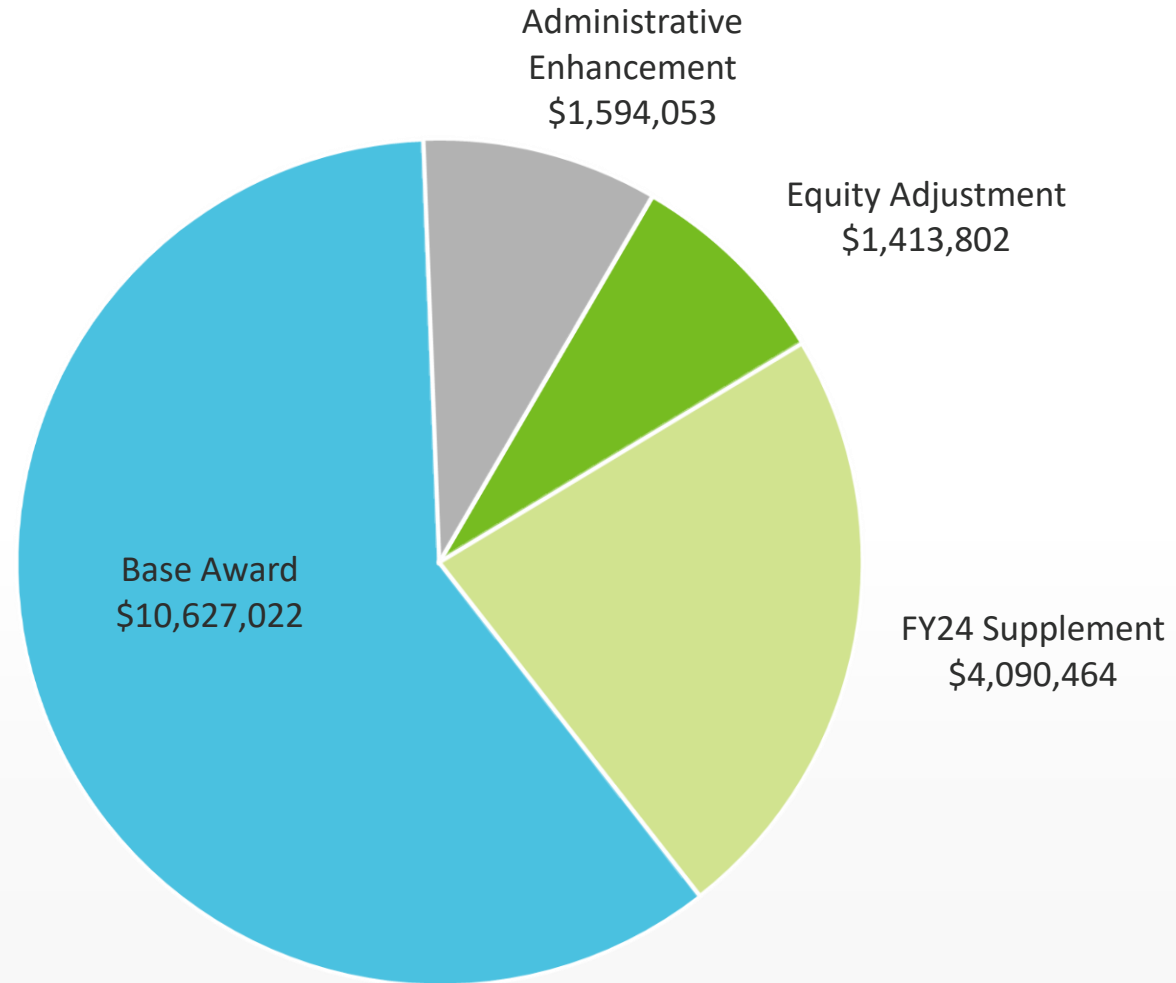


CDF payroll funding formula award distribution by teacher role and credential



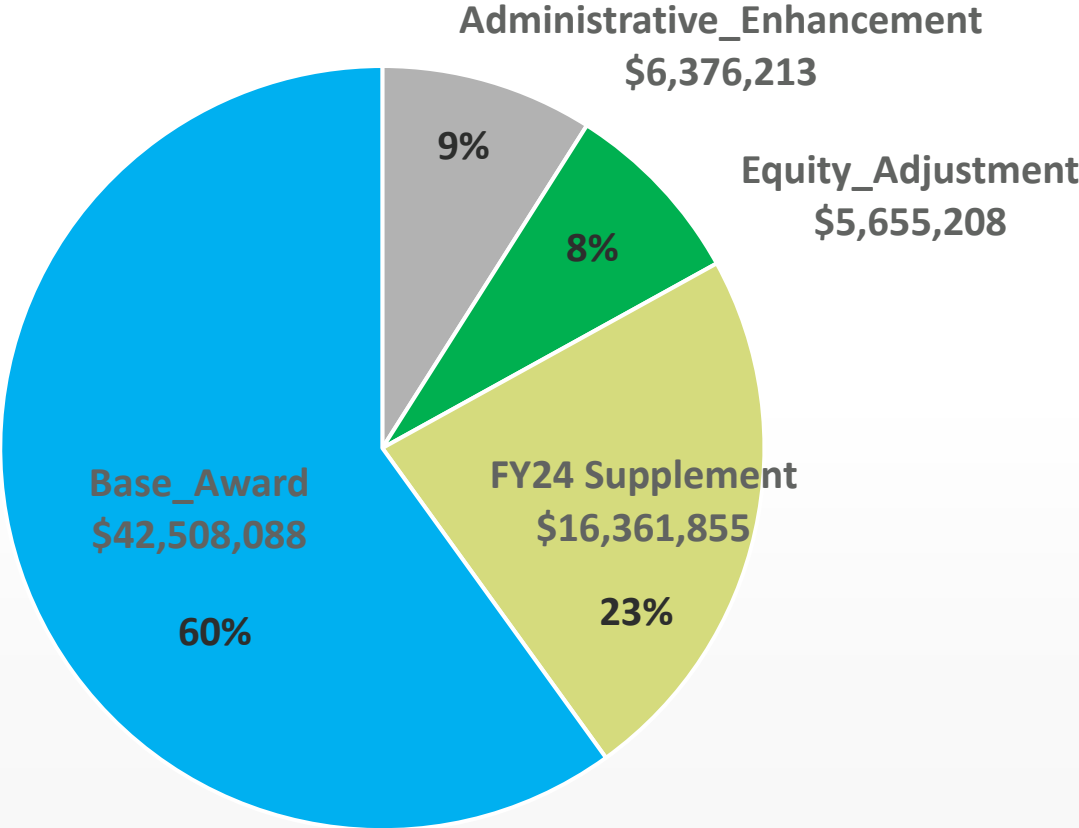
↑ ↓ = changes from Q2

CDF payroll funding formula awards by formula components, Q3



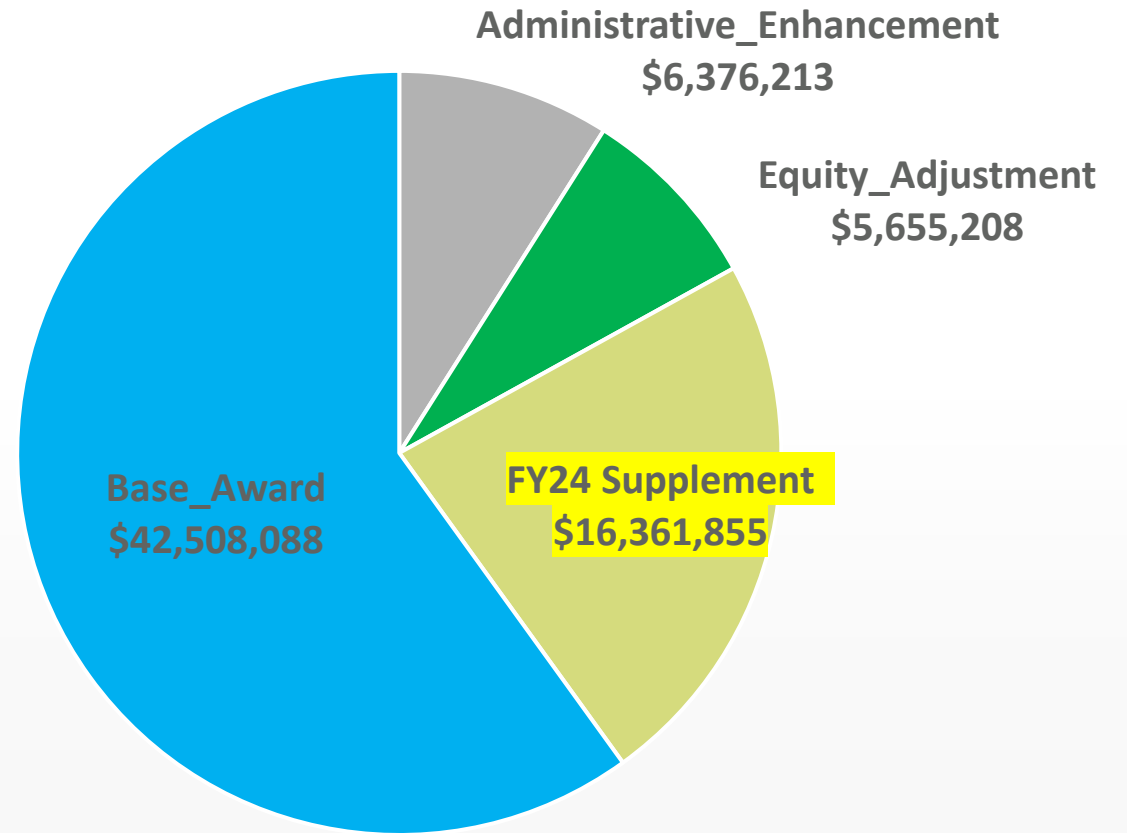
Using *current* formula, here is the estimated *annual* cost breakdown by component

Using the *current formula*, estimated annual cost for FY25: \$70,901,400 (awards to facilities *only*)



With current assumptions, there is a \$16.5 million gap we need to close – almost equivalent to the FY24 supplement

Cost Driver	Cost
HC FCC allocation	\$12 million
OSSE administrative cost	\$3.5 million
Cost of current CDF payment formula	\$71 million
Total Projected Cost	\$86.5 million
Annual funding	\$70.0 million
GAP	\$16.5 million



Mechanisms for **reducing spending** and **controlling spending pressure** in the short and medium term

Levers to **reduce spending**/lower the total price tag:

- Eliminate minimum salary requirements for educators with < CDA and cut wage supplement funds currently allocated for those educators (\$2.5M).
- Right size payment for part-time educators and for programs that are not full-day or full year (savings - TBD).
- Reduce administrative enhancement to 12 percent, which reflects the basic required payroll-related costs (\$1.3M).
- Recapture most of the FY24 supplement (\$16.3M) for cost reduction – redistribute the remainder as part of equity adjustment.
- Reduce some or all wage supplement amounts (with or without reducing salary minimums).

Levers to **control growth** and relieve spending pressure:

- Establish a waitlist for providers new to the Pay Equity Fund, using equity-based criteria rather than simply first-come first-served.
- Freeze salary minimums (*short and medium term*).
- For future salary scale updates (every four years), anchor BA salary at a target percentile range of public school teacher salaries (*long term*).
- Establish waiver guardrails to limit spending on facilities not meeting minimums due to lack of financial viability of their model. (E.g., chronic under-enrollment, proportion of teachers in lead teacher role.)
- Establish automatic stabilizers to accommodate shift in distribution of degrees/credentials.



Identifying opportunities for more equitable and efficient allocation of Pay Equity Fund dollars

Potential adjustments to better target need

Children served

- Proportion of enrollment receiving subsidy (*current factor is proportion of capacity*)
- Proportion of enrollment that is infant and toddler

Service hours

PLUS factors

- >14 hrs/day (++)
- 11-14 hrs/day (+)

RIGHTSIZING factors

- <8 hours/day
- <10 months/year

Revenue and other sources of support

Tuition

- Less than 75th percentile (*plus factor*)
- Top decile (*minus factor*)

Employer sponsored*

Private equity/publicly traded*

**How differentiated are facilities according to these factors?
How do the factors interact with each other?**

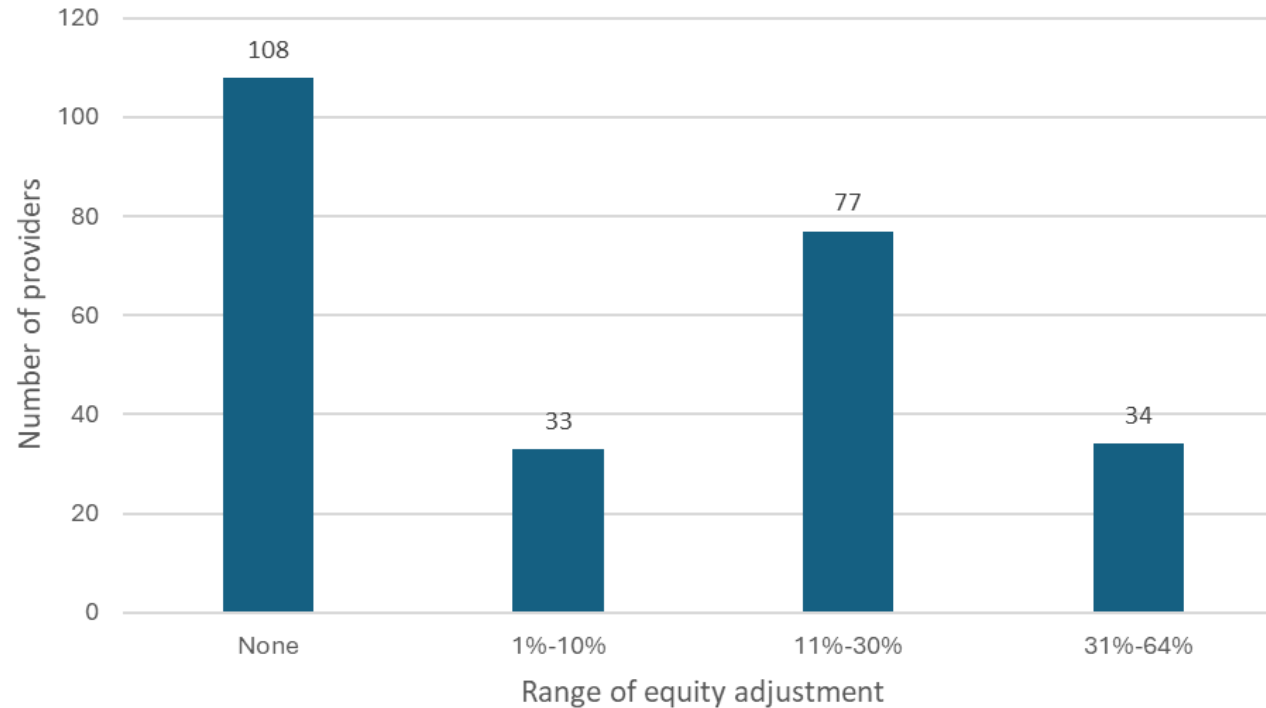
How differentiated are facilities according to these factors?

Subsidy

Among the providers serving subsidy, there is significant variation in proportion of capacity occupied by subsidized children

Children served

- Proportion of enrollment receiving subsidy (*current factor is proportion of capacity*)



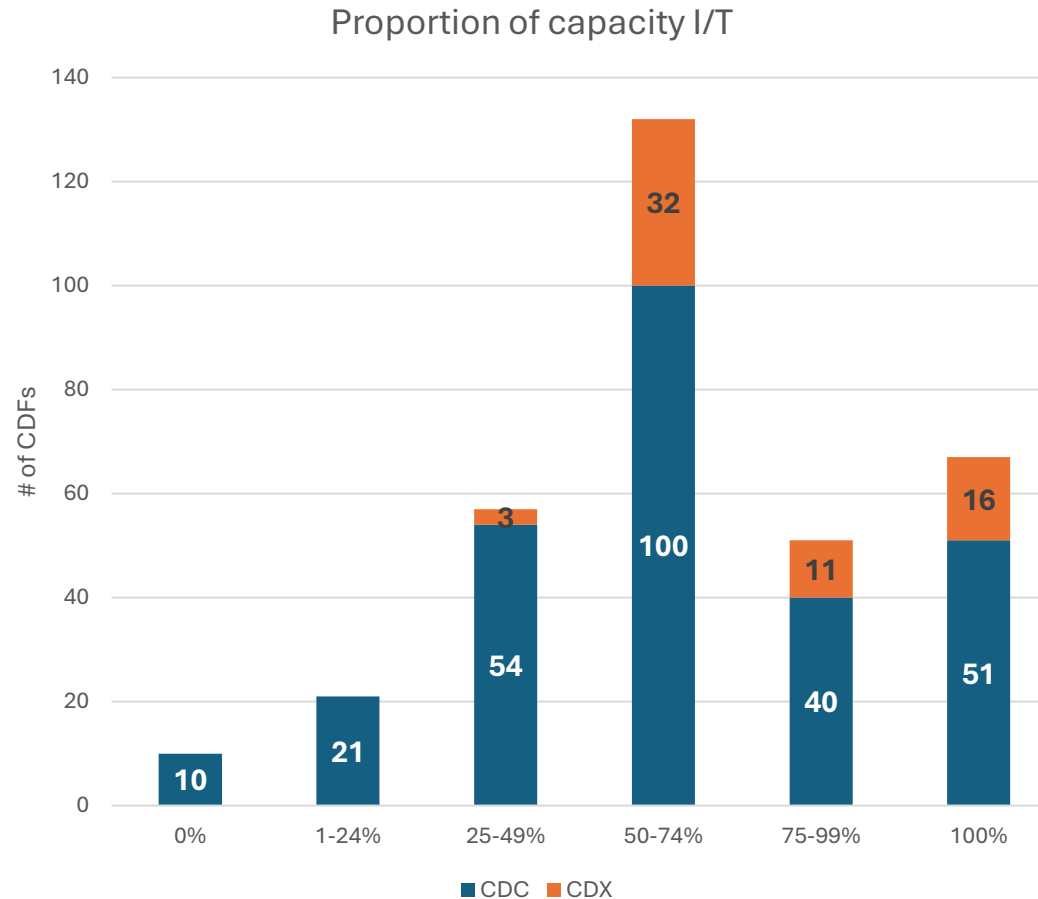
NOTE: Changing the denominator from capacity to enrollment will shift the distribution right, so that a number of providers in the 11-30 percent category will move into the next category.

How differentiated are facilities according to these factors?

Infants/toddlers (proportion of capacity)*

Children served

- Proportion of enrollment that is infant and toddler



Out of 340 facilities currently participating in the Pay Equity Fund:

- **67** serve only infants and/or toddlers (I/T), including 18 CDH/X
- An **additional 52** serve \geq **75% I/T**, including 10 CDH/X
- An **additional 134** are **50-74% I/T**, including 31 CDH/X
- **60** serve no infants (all but 1 are CDCs)
- **10** serve no infants or toddlers (all CDCs, including 1 that was granted a waiver)



The proposed criteria are as proportion of *enrollment*, but because we don't yet have comprehensive enrollment data, the information on this slide is based on proportion of *capacity*.

How differentiated are facilities according to these factors?

Service hours

Service hours

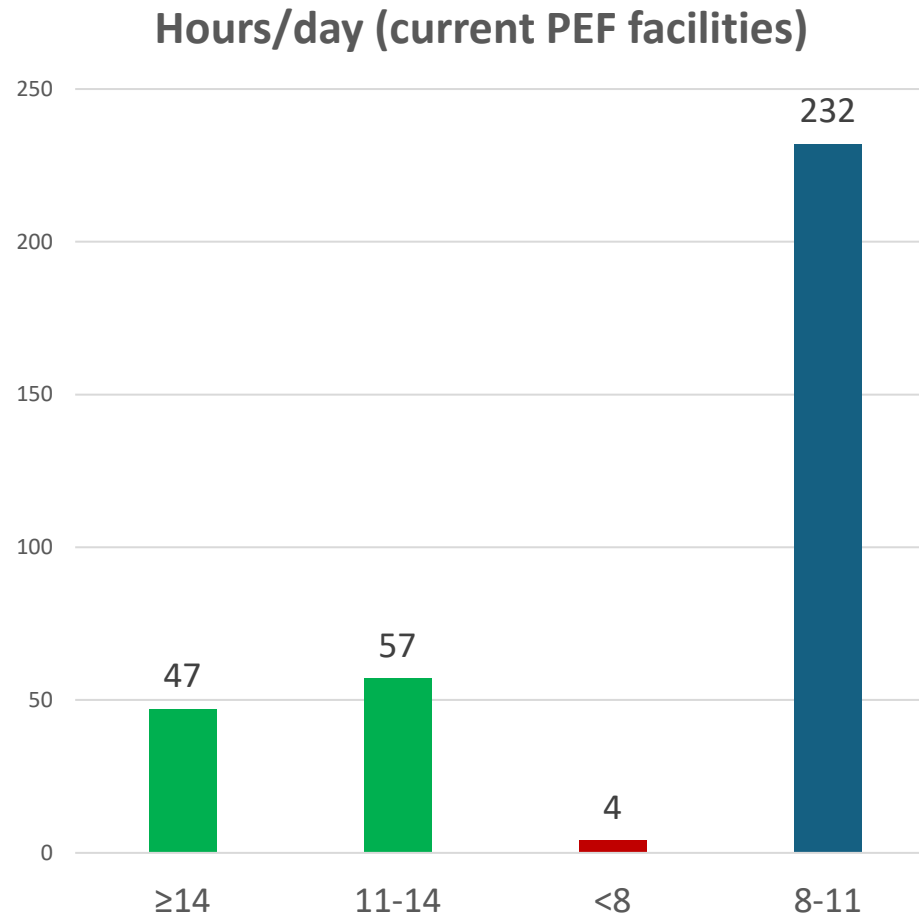
PLUS factors

- >14 hours/day (++)
- 11-14 hours/day (+)

MINUS factors

- <8 hours/day
- <10 months/year

Need data on <10 months/year.



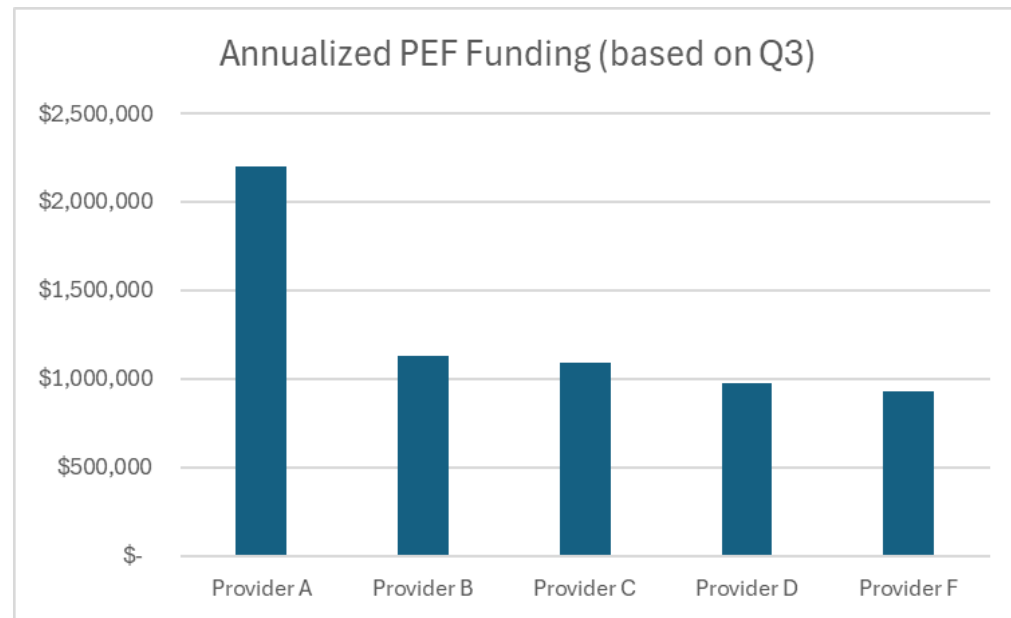
- **Two-thirds** of Pay Equity Fund facilities operate the standard **8-11 hours/day**.
- Of the 104 facilities operating more than 11 hours/day, one-third are CDH/Xs
- Those that operate more than 14 hours/day are even more **disproportionately CDH/X** (22 of 47)
- Those that operate less than 8 hours/day are all CDCs and none serve children receiving subsidies.

How differentiated are facilities according to these factors?

Tuition

Age of child	CDCs	CDH/Xs
Infant (under age 1)		
• 25 th percentile	\$1,733	\$1,625
• 50 th percentile	\$2,123	\$1,733
• 75 th percentile	\$2,492	\$1,842
Toddler (12-30 months)		
• 25 th percentile	\$1,733	\$1,517
• 50 th percentile	\$1,953	\$1,704
• 75 th percentile	\$2,414	\$1,834
Preschooler (30-60 months)		
• 25 th percentile	\$1,222	\$1,205
• 50 th percentile	\$1,701	\$1,596
• 75 th percentile	\$2,186	\$1,733

Although OSSE currently has limited information on individual provider tuition levels, published tuition rates suggest a substantial amount of pay equity funding is going to providers that charge tuition (well) above the 75th percentile, according to the cost modeling figures to the left.



Source: OSSE Cost Modeling; drawing on data from 2022 Child Care Provider Survey. Figures are for monthly tuition.

- Total annual Pay Equity Fund funding across these 5 providers is \$6.3M
- All of these providers have relatively high numbers of BA educators.
- Two of them serve subsidy at very low levels (1 percent of capacity).
- None of them operate at non-traditional hours.



How differentiated are facilities according to these factors?

Large for-profit chains

Large for-profit chains account for **six providers and 27 facilities** currently participating in the Pay Equity Fund. These are all large national chains with between 289 and 1,480 centers in North America as of 2022*. Four are owned by **private equity**; one is **publicly traded**; one is **privately owned**.

As of Q2 payments, these six providers account for:

- **11 percent of Pay Equity Fund educators** (381 educators out of 3,456)
- **8.7 percent of Pay Equity Fund funding** to CDFs

These providers tend **have disproportionately fewer plus factors and more minus factors**:

- Serve almost no subsidy children
- Have less of their total capacity dedicated to I/T
- Likely to be at the upper end of the tuition distribution (rates not published)
- Several of them are also located in Federal buildings and/or are employer sponsored in some form.

With such a significant share of Pay Equity Fund educators it is important to consider how to **ensure these educators can continue to benefit** from minimum salaries even as **we ensure Pay Equity Fund dollars are not fueling profits**. This may mean rightsizing and reallocating funding rather than barring these providers from the Pay Equity Fund.



*Source: For-profit Status Report Exchange January/February 2022 ExchangePress.com

How differentiated are facilities according to these factors?

Employer sponsored

Employer sponsored or subsidized could describe a range of facilities. For purpose of the Pay Equity Fund, we may want to define one or more categories of employer sponsorship that are:

- Clearly identifiable (yes/no) with data that are already available or easily gathered, and
- Strongly correlated with reduced financial need for the facility

Broad categories could include:

- **FEDERAL:** Located in a Federal building and/or subsidized by a Federal agency – through below-market rent, employee benefit or budgetary line-item support (approximately 11 facilities, two of which are also large for-profit chains)
- **PRIVATE:** Subsidized by licensee or sponsor entity (e.g. through in-kind or below-market space, employee benefit, other?). This could include independent schools, higher education institutions, houses of worship or corporate entities (approximately 21 facilities, five of which are also operated by large for-profit chains).

Potential adjustments to better target need

Children served

- Proportion of enrollment receiving subsidy (*current factor is proportion of capacity*)
- Proportion of enrollment that is infant and toddler

Service hours

PLUS factors

- >14 hours/day (++)
- 11-14 hours/day (+)

RIGHTSIZING factors

- <8 hours/day
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Revenue and other sources of support

Tuition

- Less than 75th percentile (*plus factor*)
- Top decile (*minus factor*)

Employer sponsored*

Private equity/publicly traded*

- Based on what we know now, which seem the most feasible to include in a potential funding formula update?
- What additional questions to Task Force members have about these factors?
- Are there any elements that seem particularly promising to include, or any that Task Force members have grave concerns about?



**Anchoring on a shared
aspiration**

Potential priority goal (and tradeoffs)

Given the parameters that the Council has provisionally named (including our shortened timeline), it will be helpful for the Task Force to agree on a priority goal to anchor our discussions regarding revising the pay scale and funding formula. To that end, here is a proposed anchor for consideration of the Task Force:

- **We will prioritize maintaining the current minimum salaries, to the extent feasible with available resources, for all participants in the Pay Equity Fund with at least a CDA.**

While there are no guarantees we can achieve this, agreeing on a shared aspiration will help us to weigh the issues in a more focused way in the coming couple of months.

If further modeling indicates that maintaining current minimum salaries for all participants in the Pay Equity Fund with at least a CDA is not feasible, we will revisit options for adjusting salaries with the Task Force at that time, but will maintain this as a guiding priority.

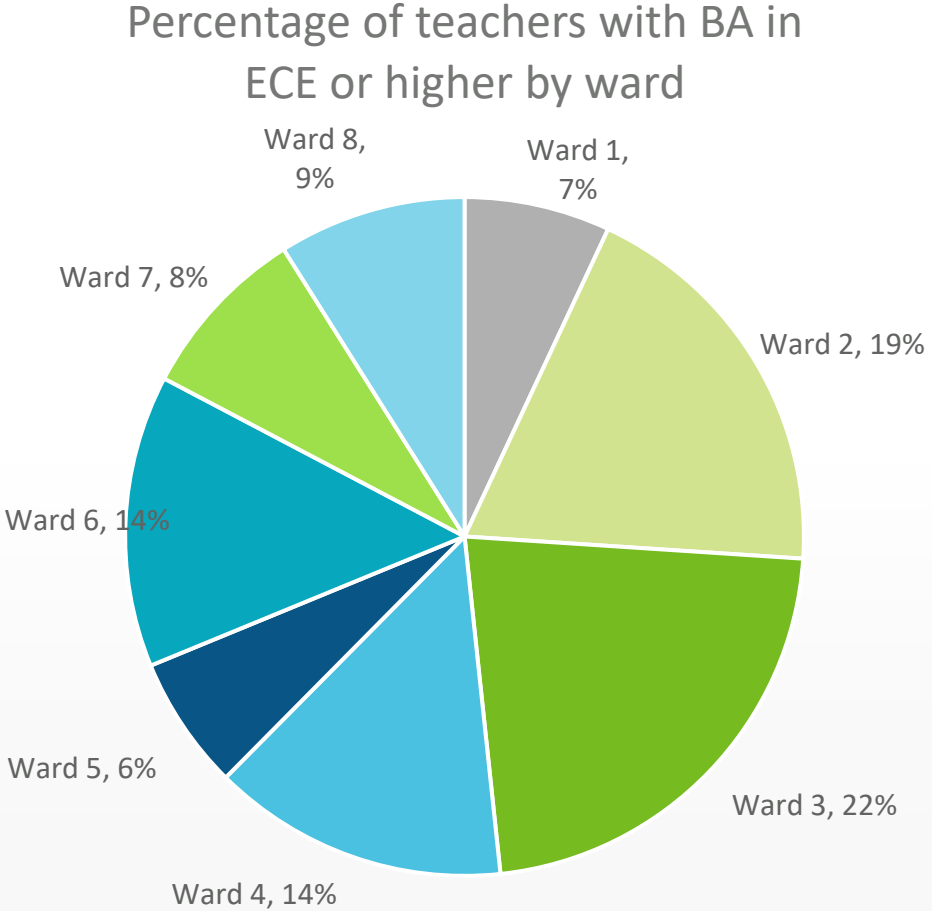
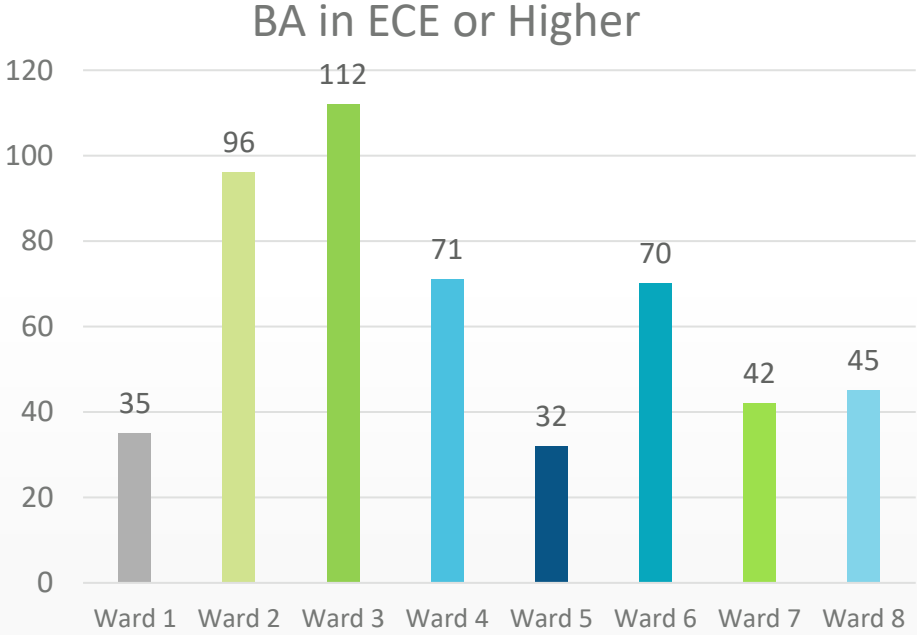
Current salary minimums and wage supplements

Role	Credential	Minimum Salary	Wage Supplement (base funding to CDF)
Assistant Teacher or Associate Home Caregiver	Less than a CDA	\$43,865	\$2,329
	CDA	\$51,006	\$9,470
	AA or higher	\$54,262	\$12,726
Lead Teacher, Home Caregiver, or Expanded Home Caregiver	CDA	\$54,262	\$8,503
	AA degree	\$63,838	\$18,079
	BA or higher	\$75,103	\$29,344

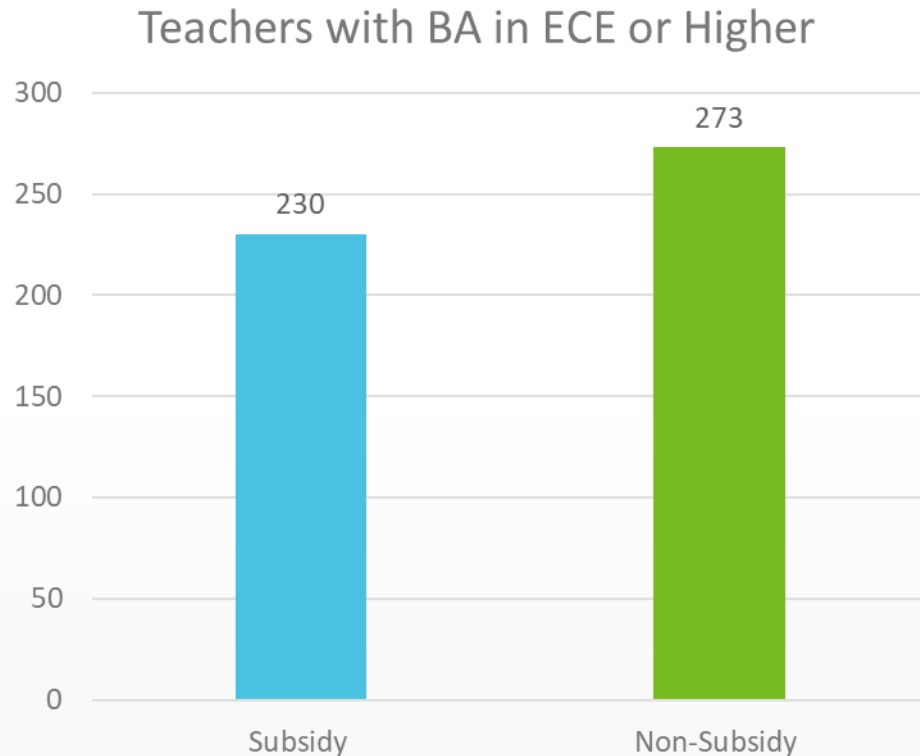
The placeholder cost reduction laid out in the BSA would reduce the BA salary to the AA level. If the BA wage supplement were reduced accordingly, that would trim **\$5.7 million** off the base funding annually, which would result in a total reduction of **\$9.4 million**, when applied to the other elements of the formula.

Distribution of BA teachers is uneven and varies by ward (Q3)

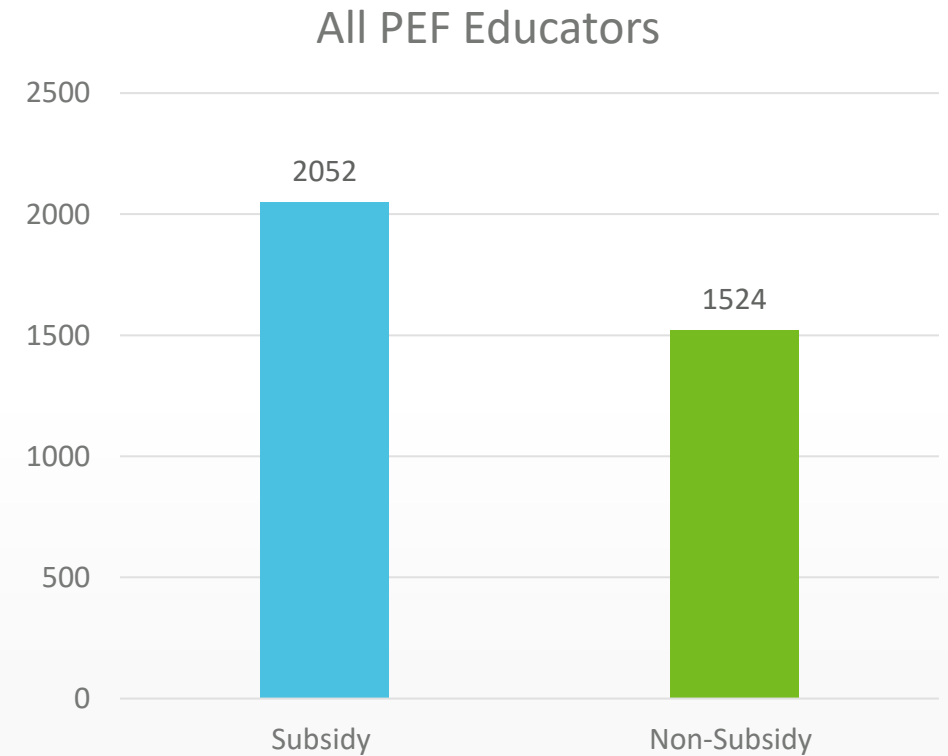
- 144 of 342 total facilities have BA Pay Equity Fund teachers, and more than half of those (77 facilities) have only one BA.
- One quarter of all teachers with BAs are clustered in 13 facilities



Teachers at the BA salary level are over-represented in facilities that do not accept subsidies (Q3)



54 percent of BA teachers are in facilities that do not accept subsidies



43 percent of all Pay Equity Fund educators are in facilities that do not accept subsidies

Starting teacher salaries vary across DC's 43 public school LEAs serving pre-K and kindergarten (data for current school year)

The **Pay Equity Fund minimum salary for BA lead teachers** is equivalent to the 12-month starting salary for DCPS BA teachers: **\$75,103**.

Across the 43 local education agencies (LEAs) serving pre-K/kindergarten:

- Minimum BA salaries **range** from **\$54,965** to **\$83,917**
- The **median (50th percentile)** is **\$73,831**
- The **mean** is **\$72,142**
- The current Pay Equity Fund minimum BA salary is at the **60th percentile** of LEAs

Next Steps

- Survey to Task Force members, following up on tonight's content
- Work session July 22
- Scheduled Task Force meeting dates (6-8 p.m.)

2024	
Aug. 6	Nov. 5
Sept. 3	Dec. 3
Oct. 1	

2025
Jan. 6
Feb. 3

- Public comments welcome at ececompensation@gmail.com
- Meeting materials will be posted on OSSE's website: osse.dc.gov/page/early-childhood-educator-equitable-compensation-task-force
- We will continue to update the Research and Background Materials folder