



Early Childhood Educator Pay Equity Fund Task Force

Meeting #6
Sept. 17, 2024

Tonight's Agenda

- Review Task Force Charge and Timeline
- Provide Update on Quarter Four (Q4) of Early Childhood Educator Pay Equity Fund Implementation
- Review Fiscal Pressures and Fiscal Year 2025 (FY25) Budget Support Act (BSA)
- Review Levers to Reduce Early Childhood Educator Pay Equity Fund Costs
 - Child Development Facility (CDF) Payroll Funding Formula
 - Other Cost Drivers
 - Minimum Salaries
- Review Modeling of Potential Scenarios for Changes to CDF Payroll Funding Formula and Required Minimum Salaries
- Align on Recommendations to DC Council for Sept. 30 deadline
- Review Outstanding Issues for Task Force Discussion After Sept. 30

We will be successful tonight if we:

Align on proposed approach for modifying CDF payroll funding formula to reduce costs and better target funds to child care providers based on need

Choose among options for adjusting minimum required salaries to enable the fund to be implemented with available resources

Endorse proposed reduction to the Office of the State Superintendent of Education (OSSE) administrative expenditures

Provide input on potential additional levers for controlling future cost growth

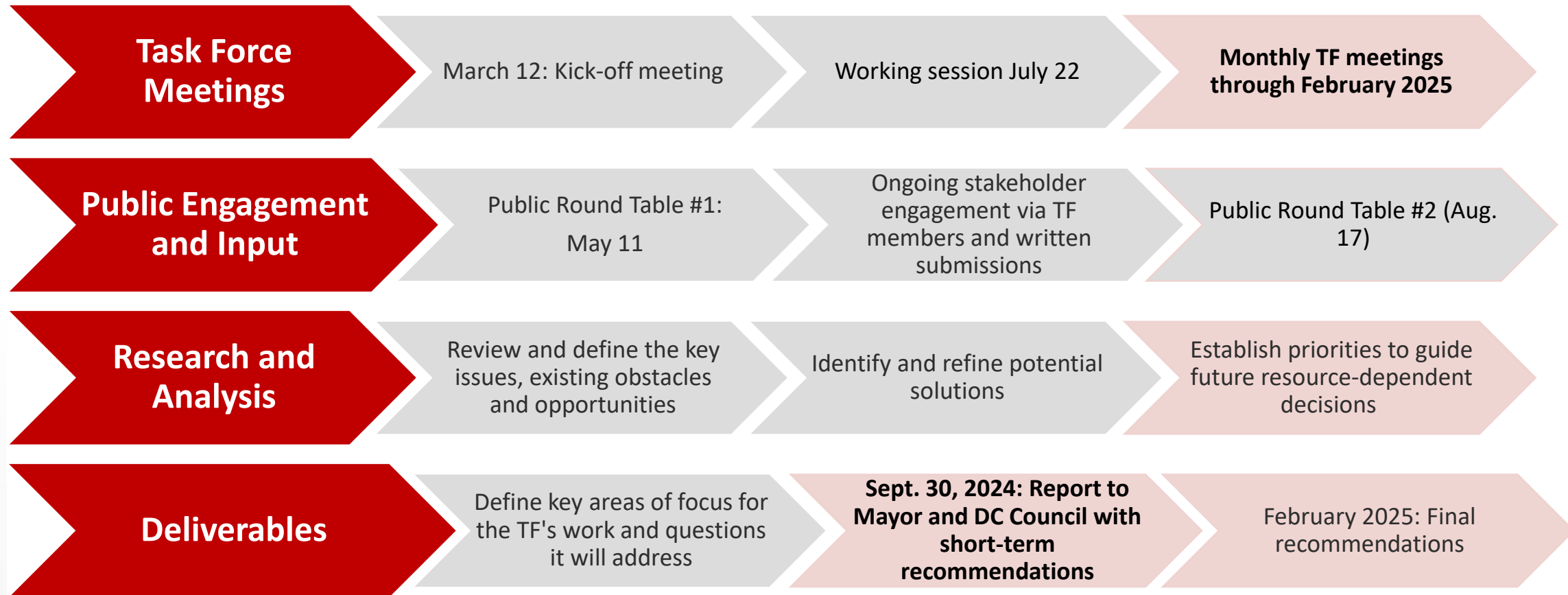
Tonight's goals align with the Task Force's charge to report to the DC Council by Sept. 30, 2024

Per the FY25 BSA, the Task Force is charged with:

1. Recommending changes to the Early Childhood Educator Pay Equity Fund Program
2. Recommendations for limiting fiscal pressures on the Early Childhood Educator Pay Equity Program through FY28
3. Proposes a new compensation scale for employees of early childhood development providers 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-kindergarten and kindergarten
4. Additional recommendations for the allocation of monies available in the Early Childhood Educator Pay Equity Fund

The report is due to Council on **Sept. 30**, 2024.

We are approximately half-way through the timeline for the Task Force's work, with a key deadline this month



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.

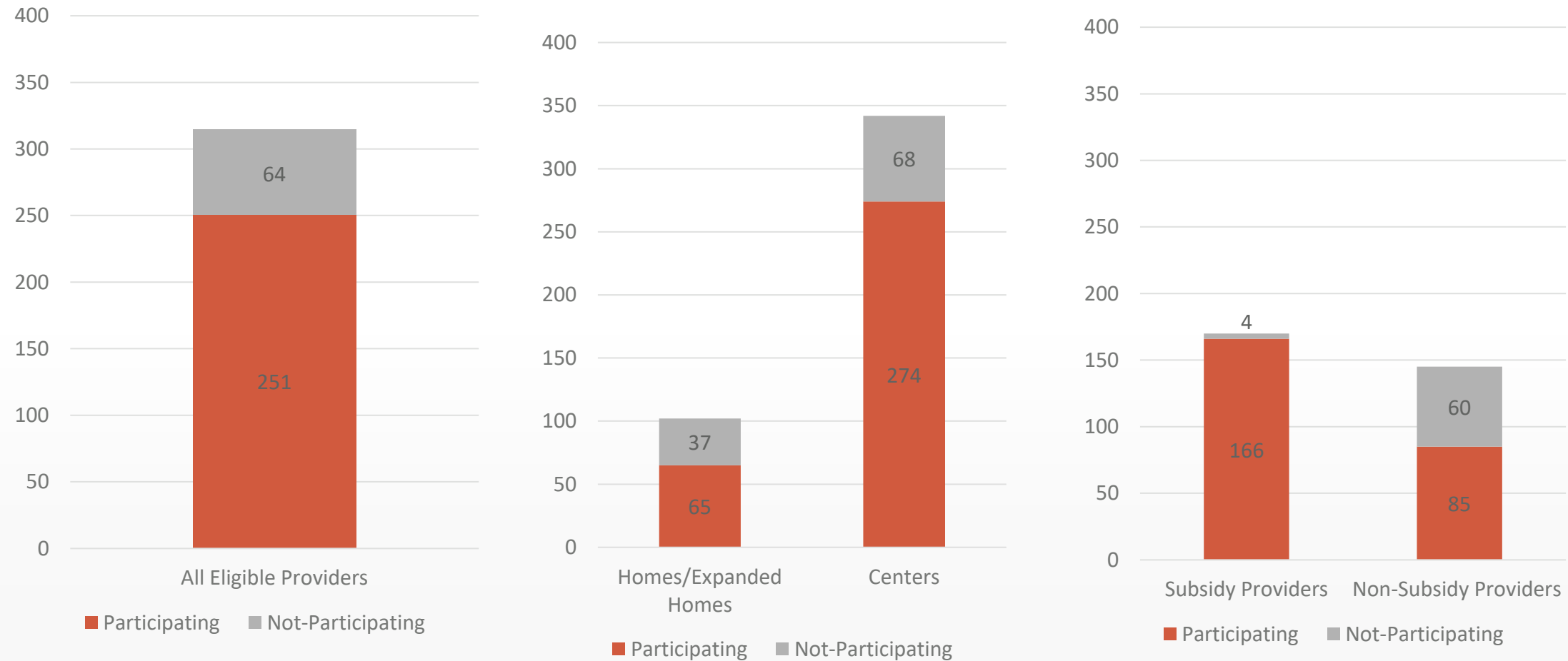
Center those furthest from opportunity and disrupt systemic inequities.

Share the implementation hat.
Consider unintended consequences.

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



251 child care providers are participating in the Early Childhood Educator Pay Equity Fund, including all but 4 subsidy providers



The success of the Early Childhood Educator Pay Equity Fund to date has resulted in fiscal pressures

FY24 Expenditures Exceed Projected Budget

Quarter 1	\$14,634,180
Quarter 2	\$16,575,000
Quarter 3	\$17,725,000
Quarter 4	\$18,165,476
HealthCare4ChildCare (HC4CC)	\$18,000,000
Total payments to CDF	\$85,099,656

OSSE used funds carried over from FY22-23 to cover gap

Anticipated FY25 Costs Exceed Available Appropriations

Current CDF Formula (projected)	\$72,000,000
HealthCare4ChildCare	\$12,000,000
OSSE Administrative Costs	\$ 3,500,000
Total projected cost of status quo	\$87,500,000
Approved FY25 Budget	\$70,000,000

Projected shortfall: \$17,500,000

Additional Factors Create Long-Term Fiscal Pressures that are Unsustainable

- Early educator credential/degree attainment progress tied to and beyond licensing credential requirements
- Health insurance premium growth projections
- Anticipated increases in public school educator salaries
- Potential further growth of child care sector/number of participating providers/early educators

Projected costs of modeled scenarios will increase as early educators earn increased credentials to meet licensing requirements

Role	Credentials	Number of Educators as of Q4 Payment	Estimated # of Educators Aligning PEF credentials with Updated Licensing
Assistant Teacher, Associate Home Caregiver	< Child Development Associate (CDA)	608	638
	CDA	854	866
	Associate +	382	340
Teacher, Home Caregiver, Expanded Home Caregiver	CDA	926	718
	Associate	339	447
	Bachelor's +	508	609

Aligning PEF credentials with current OSSE licensing requirements will add \$2.5 to \$3 million (5-6% increase) to total cost of payments to CDFs.

Shifts in credential attainment will likely slow significantly following realignment, but attainment rates will continue to grow.

FY25 BSA included steps to address long-term sustainability

- Fixed funding level at \$70 million annually for FY25 through FY28; including funding for HC4CC at \$12 million
- Eliminated minimum salary requirement for early educators with less than a CDA
- Eliminated minimum salary differential (above associate degree level) for early educators with a bachelor's degree
- Repealed language requiring annual increases in minimum salaries tied to DCPS salary schedule/DCPS
- Charged the Early Childhood Educator Equitable Compensation Task Force with providing a report to the Council by Sept. 30, 2024 that:
 - Makes recommendations for limiting fiscal pressures on the Early Childhood Educator Pay Equity Fund through FY28
 - Proposes a new compensation scale that takes into account compensation and benefits of employees of DCPS and public charter schools who teach pre-K and kindergarten
 - Makes additional recommendations regarding allocation of monies available in the fund

There are three levers reduce Early Childhood Educator Pay Equity Fund Costs

CDF Payroll Formula

How Early Childhood Educator Pay Equity Funds are distributed to participating providers.

Intended to provide adequate funding to enable providers to meet minimum required salaries.

Differentiated to reflect factors that drive variation in provider revenues and needs.

Other cost drivers

The portion of Early Childhood Educator Pay Equity Funds that are not distributed to child care providers to pay wages and salaries. This includes:

HC4CC

OSSE administrative costs

Minimum required salaries

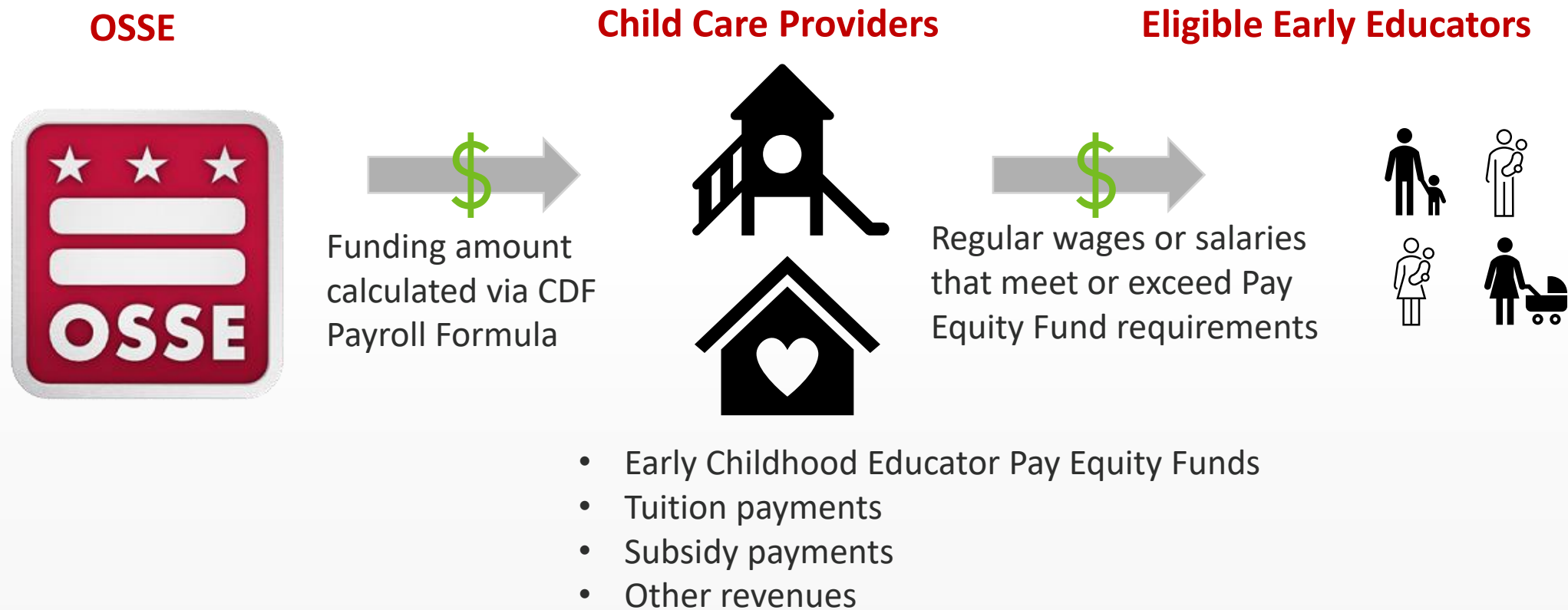
How much child care providers participating in the Early Childhood Educator Pay Equity Fund are required to pay eligible educators.

Differentiated by individual educator role and credentials.

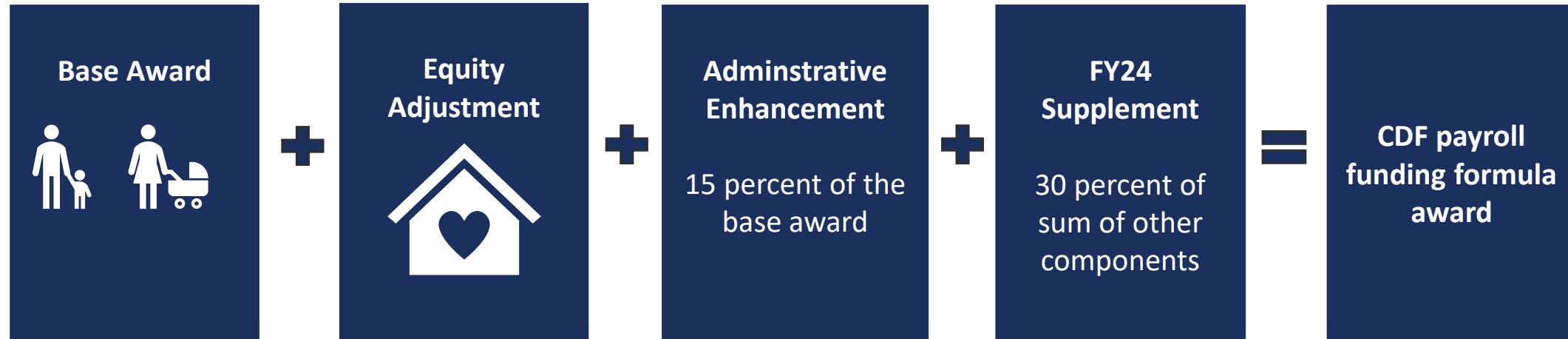
Not differentiated by provider characteristics.

Following slides address options within each lever to meet sustainability goals.

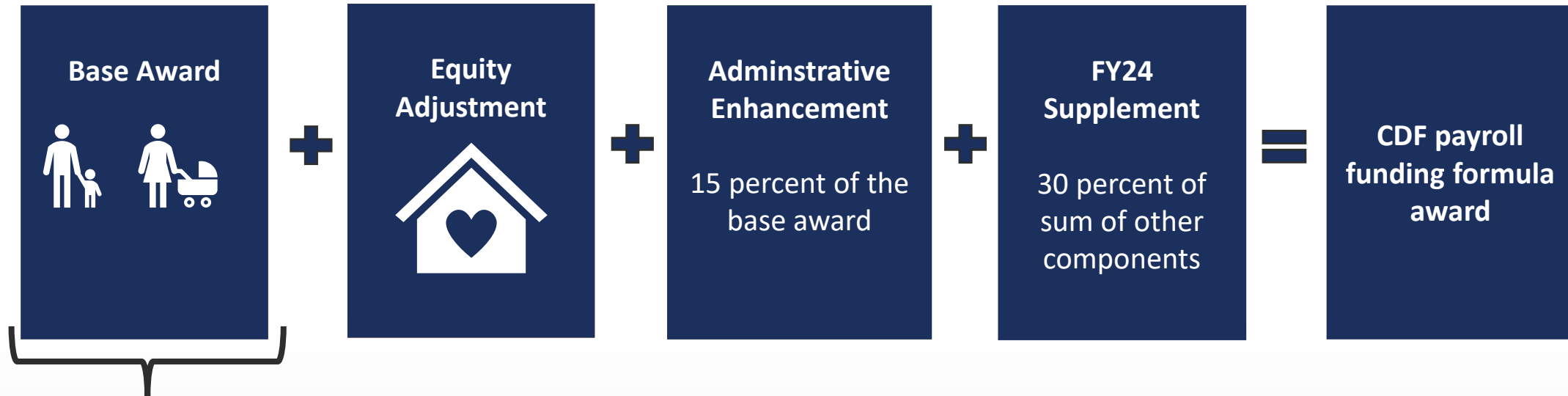
OSSE distributes funds to child care providers participating in the Early Childhood Educator Pay Equity Fund via a funding formula



CDF Payroll Formula incorporates multiple components to determine child care provider payment awards



Base awards are the foundation for all other formula components



- Base award amounts are based on the number of educators, by role and credential, a provider employs
- Base award amounts associated with a given role/credential are a function of minimum salary requirements and are the same for all providers participating in the Early Childhood Educator Pay Equity Fund (see next slide)

Base awards are calculated based on the number of eligible educators a provider employs, by role and credential

Number of eligible employees
Teachers: CDA
Teachers: Associate degree
Teachers: Bachelor's degree
Asst. teachers: <CDA
Asst. teachers: CDA
Asst. teachers: Associate degree

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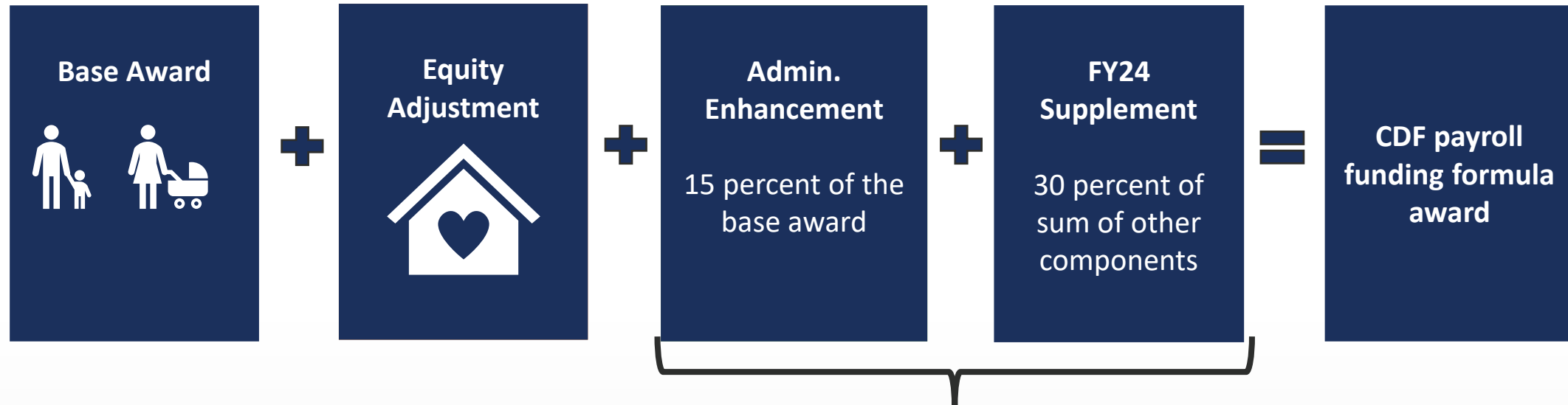
Applicable wage supplement
CDA teacher
Associate degree teacher
Bachelor's degree teacher
<CDA Asst. teacher
CDA Asst. teacher
Associate degree Asst. teacher

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Base Award

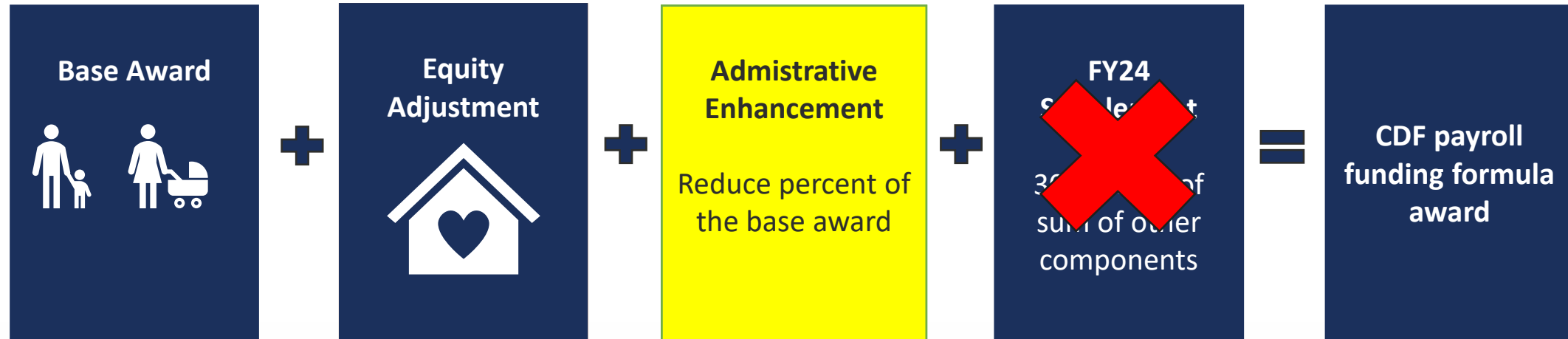
- Number of eligible educators, by role and credential, is based on approved staff records in OSSE's Division of Early Learning Licensing Tool (DELLT) as of each quarter.
- Currently, payments are not differentiated based on full- and part-time staff or part-year programs.
- **Adjusting awards for staff working <30 hours a week would reduce costs by \$700,000 (est.).**
- Adjusting awards for operating 10 months or less would reduce costs by an additional \$800,000 (est.).
- Wage supplements vary by role and credential.
- Wage supplements reflect **difference** between **minimum required salary** and **average salaries (FY22 Child Care Provider Survey)**, by role and credential.
- **Wage supplement amounts by role/credential are the same across all providers.**
- **Changes in minimum salaries will be reflected in wage supplements.**

Two other formula components seek to align awards to true program costs, but are not differentiated by provider circumstances/need



- **Administrative enhancement** is intended to enable providers to cover other costs (e.g., fringe benefits, taxes) that automatically increase when an employee's salary increases.
 - Currently, the cost of taxes and required benefits is 10.9 percent of staff wages or salaries.
- **FY24 Supplement** was added as a **one-time enhancement for FY24** to enable child care providers to receive sufficient funding to cover incremental costs of increasing salaries in the first year of program implementation.
- Both the administrative enhancement and FY24 supplement are currently set at the **same percentage for all child care providers** participating in the Early Childhood Educator Pay Equity Fund.

Reducing or eliminating these components could reduce costs and enable funds to be better targeted based on provider needs



Rationale:

- Align administrative enhancement with legally required tax and benefit costs associated with higher pay.
- FY24 supplement was always intended (and communicated) as a one-time adjustment that may not continue.
- 30 percent increase for all providers is very blunt instrument and resulted in some providers getting more than they needed; opportunity to better target resources to provider need through other components.

Would generate substantial savings to meet cost reduction goals.

Risks:

- Some child care providers may not have sufficient funds to cover costs of minimum required salaries.

Potential mitigators:

- Reallocate portion of funds from FY24 supplement to increase, better target equity adjustment.
- Consider how formula changes interact with minimum salaries.

Equity adjustment differentiates provider awards based on circumstances that affect ability to meet minimum salary requirements



- The equity adjustment directs additional funds to providers who have less access to revenues and therefore need more incremental funding (above tuition/salary revenues) to meet minimum required salaries.
- **Currently**, the equity adjustment is based on the **percentage of a facility's capacity utilized by children receiving child care subsidies** (a proxy for serving low-income families) but could be adjusted to incorporate additional factors that affect provider revenues and need (see following slide).
- Increasing distributional equity could also involve reducing award amounts for some child care providers with the greatest access to resources, which the equity adjustment does not currently do.

Increasing, adding factors to equity adjustment offers potential to better target resources to providers with fewer resources/greater need

Equity Adjustment



Currently:

- A facility's equity adjustment is based on the **percentage of a facility's capacity utilized by children receiving child care subsidies** (a proxy for serving low-income families).
- Equity adjustment can increase a facility's base award by up to **60 percent of the base award**.
- **Equity adjustment** = percent of enrollment occupied by children receiving subsidy x .60 x base award.

Task Force Considered Potential Adjustments to Better Align Equity Adjustment with Provider Needs:

- Incorporating additional factors into the equity adjustment:
 - Serving infants and toddlers;
 - Child development homes.
- Increasing the potential value of the equity adjustment (above 60 percent of base award).
- Impacts of these changes is outlined further in modeling scenarios (slides 29-39).

Task Force also considered options for reducing awards to providers with less need or more access to resources

Providers that operate <10 months/year

Rationale:

- Programs that operate less than a full year likely face lower staff costs.
- Reducing awards for these programs by 30 percent would align with the percentage of a full year they serve.

No risks identified.

Providers that charge high tuition rates

Rationale:

- Providers with high tuition rates have more access to revenues from other sources.
- Cost modeling suggests those with tuition over 75th percentile (\$2,400+/month) operate at a profit; those at 90th percentile + (\$2,760+/month) may already be able to afford higher salaries.
- These providers also likely serve more affluent families and children.

Risks:

- Some providers that charge high tuition may have other high costs (e.g., rent) that affect their ability to meet minimum required salaries.

Eliminating FY24 supplement

Rationale:

- Eliminating FY24 supplement will reduce awards for all participating providers.
- Changes that increase equity adjustment would partially offset reductions for highest need programs.
- Impacts of elimination of FY24 supplement would be greatest for providers that do not qualify for equity adjustments.

Risks:

- See slide 17

Decision Point

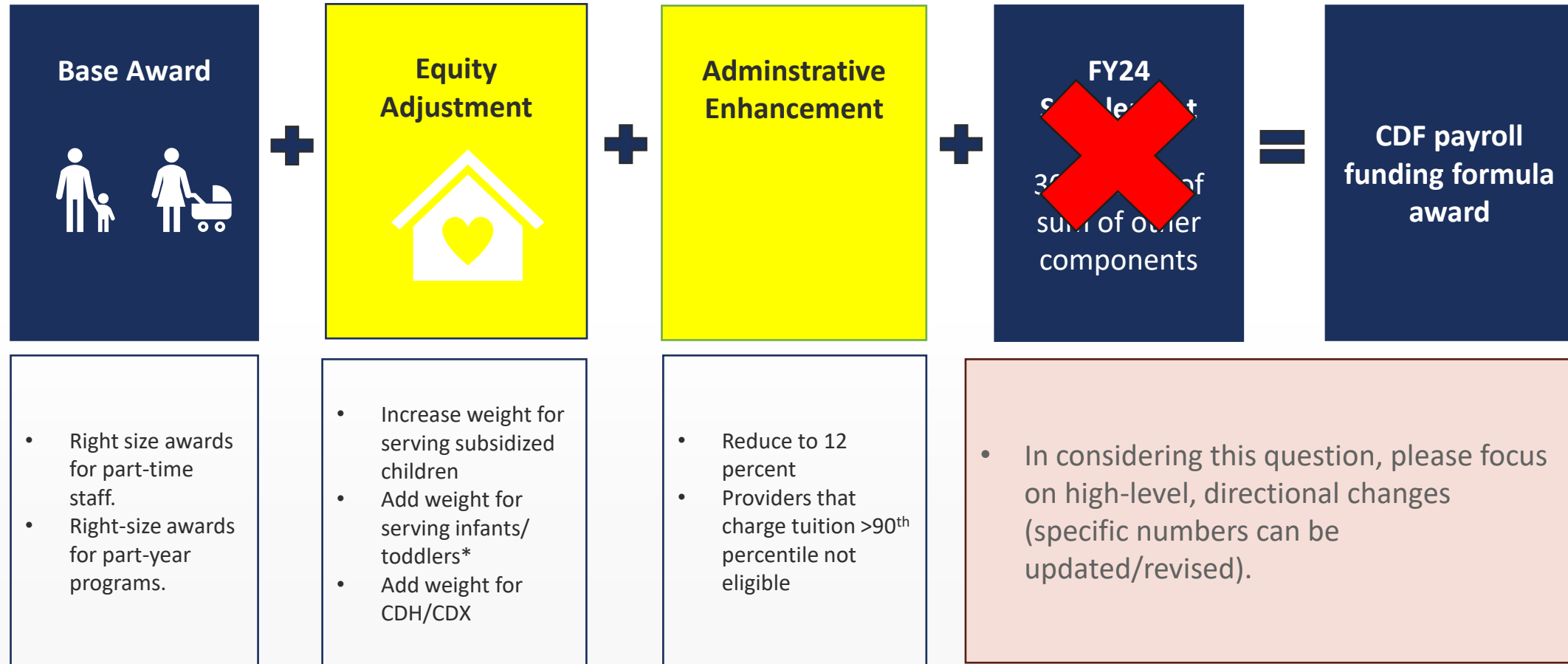
Align on proposed approach for modifying CDF payroll funding formula to reduce costs and better target funds to child care providers based on need

Choose among options for adjusting minimum required salaries to enable the fund to be implemented with available resources

Endorse proposed reduction to OSSE administrative expenditures

Provide input on potential additional levers for controlling future cost growth

Decision Point: Does the Task Force approve proposed approach to better target Pay Equity Fund resources?



A portion of Early Childhood Educator Pay Equity Funds are not distributed to child care providers to pay wages and salaries

HC4CC

HC4CC covers costs of premiums for health insurance purchased via DC Healthlink by child care employers for their employees, and for individual DC residents working in child care, to make low- or no-premium health coverage available to child care workers and their dependents.

FY25 BSA allocated \$12 million for HC4CC; this is a reduction from \$18 million in FY23 and FY24.

\$12 million will allow HC4CC to maintain current enrollment and enroll new DC residents or residents who lose Medicaid, but may require a waitlist for new employers.

It is not viable to operate the program at a lower funding level.

OSSE Administrative Costs

IT system development & maintenance	
DELLT capacity to support pay equity	\$300,000
Pay Equity Fund payment process	\$300,000
OSSE Staff Costs	
Pay equity support & monitoring (5 FTEs)	\$600,000
Staff records updates (1 FTE, 5 temps)	\$525,000
Communications (translation and communication materials)	\$75,000
Technical assistance (through BSQECE grant)	\$200,000
Total	\$2,000,000

Reducing OSSE administrative costs to \$2,000,000 would reduce overall costs by \$1,500,000, while still allowing OSSE to effectively administer the program.

Decision Point: Does Task Force endorse this proposed reduction in OSSE administrative costs?

Align on proposed approach for modifying CDF payroll funding formula to reduce costs and better target funds to child care providers based on need

Choose among options for adjusting minimum required salaries to enable the fund to be implemented with available resources

Endorse proposed reduction to OSSE administrative expenditures

Provide input on potential additional levers for controlling future cost growth

Minimum salaries, differentiated by role and credential, drive CDF payroll formula awards and costs

FY24 Minimum Salaries for the Early Childhood Educator Pay Equity Fund, by Role and Credential

Role	Credentials	Minimum Salaries for FY24
Assistant Teacher or Associate Home Caregiver	Less than a CDA	\$43,865
	CDA	\$51,006
	Associate's degree or higher	\$54,262
Lead Teacher, Home Caregiver or Expanded Home Caregiver	CDA	\$54,262
	Associate's degree	\$63,838
	Bachelor's degree or higher	\$75,103

Note: Child care providers who received an FY24 Q4 payment must continue to pay these minimum salaries through December 2024. Changes to the formula and the minimum salaries will be reflected in the FY25 Q1 payment and reflected in staff compensation starting in January 2025.

FY25 BSA incorporated changes to minimum salaries as a cost control mechanism

Minimum Salaries for the Early Childhood Educator Pay Equity Fund, by Role and Credential, FY24 Baseline and FY25 BSA language

Role	Credentials	Minimum Salaries for FY24	FY25 BSA language
Assistant Teacher or Associate Home Caregiver	Less than a CDA	\$43,865	\$36,400 (DC Minimum Wage)
	CDA	\$51,006	\$51,006
	Associate's degree or higher	\$54,262	\$54,262
Lead Teacher, Home Caregiver or Expanded Home Caregiver	CDA	\$54,262	\$54,262
	Associate's degree	\$63,838	\$63,838
	Bachelor's degree or higher	\$75,103	\$63,838

- Excludes Assistant Teachers with <CDA from participation in the fund.
- Eliminates salary differential for teachers with a bachelor's degree (above associate).
- These changes would reduce projected FY25 CDF Payroll Formula costs by \$14.4 million.
- These changes will go into effect in absence of DC Council action on alternative Task Force recommendation.

Task Force explored alternative options for minimum salary adjustments to reduce costs

Across the board reduction

Rationale:

- Distributes cost of needed reductions across early learning workforce rather than focusing on specific groups.
- Transparent and easy to explain.
- Preferred by educators who testified at roundtable.
- Percent of across the board reduction can be easily adjusted to meet funding scenarios.

Risks:

- Affects largest number of early educators.

Reduce pay of staff not meeting credential requirements

Rationale:

- Elimination of minimum salary for educators with <CDA included in FY25 BSA; broad stakeholder support for this.
- Educators should only be paid at the Teacher level if they meet required credentials for a Teacher.*

Risks:

- Many Teachers are working with CDAs while earning credentials or under waivers.
- Would disproportionately impact experienced early educators exempted from associate degree requirement based on experience.

Reduce pay differentials for exceeding requirements

Rationale:

- Avoids incentivizing credentials beyond those required by licensing.
- Teachers with bachelor's degrees are concentrated in non-subsidy programs and affluent parts of DC.
- Would result in substantial cost savings.

Risks:

- Would penalize educators who have worked hard to earn bachelor's degrees.
- Substantial opposition from many Task Force members.

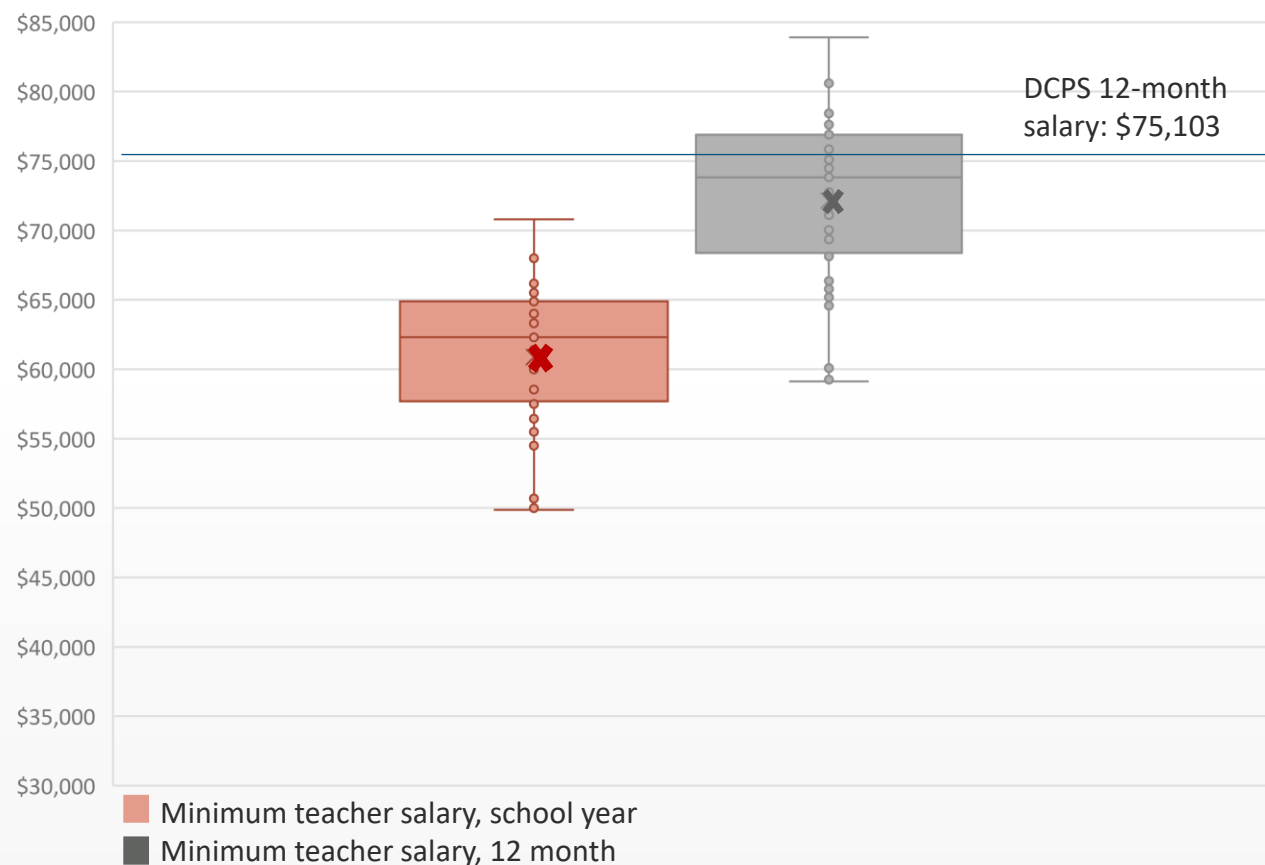
On their own, these options would generate varying levels of cost reduction for the fund

Minimum Salaries for the Early Childhood Educator Pay Equity Fund, by Role and Credential under various reduction scenarios

Role	Credentials	FY24	FY25 BSA	2% Across the Board	Reduce minimums below credentials	Reduce higher differentials
Assistant Teacher or Associate Home Caregiver	Less than a CDA	\$43,865	\$36,400 (-17%)	\$36,400 (-17%)	\$36,400 (-17%)	\$36,400 (-17%)
	CDA	\$51,006	\$51,006	\$49,986 (-2%)	\$51,006	\$51,006
	Associate degree or higher	\$54,262	\$54,262	\$53,177 (-2%)	\$54,262	\$51,006 (-6%)
Lead Teacher, Home Caregiver or Expanded Home Caregiver	CDA	\$54,262	\$54,262	\$53,177 (-2%)	\$51,006 (-6%)	\$54,262
	Associate degree	\$63,838	\$63,838	\$62,561 (-2%)	\$63,838	\$63,838
	Bachelor's degree or higher	\$75,103	\$63,838 (-15%)	\$73,601 (-2%)	\$75,103	\$63,838 (-15%)
Est. Savings compared to baseline			\$7 million	\$3.1 million	\$4.4 million	\$8.4 million

Current minimum salary for teachers with bachelor's degree compared to range of LEA pre-K and kindergarten

Distribution, median, mean of teacher salaries for LEAs serving pre-K and kindergarten, school year and 12-month annualized



Analysis

- Current Early Childhood Educator Pay Equity Fund required salary for teacher with a bachelor's degree, \$75,103, is set equivalent to DCPS step 1, just above the 60th percentile of salaries for all LEAs.
- Median starting teacher salary across all LEAs serving pre-K and k is \$73,831, 1.7 percent lower than current pay equity required salary for teachers with a bachelor's degree.
- Mean starting teacher salary across all LEAs serving pre-K and k is \$72,142, which is 3.9 percent lower than current Pay Equity Fund required salary for teachers with a bachelor's degree.
- DCPS and charter LEA salaries will likely increase in the coming years.
- Maintaining Pay Equity Fund salary for teachers with bachelor's between 40th-60th percentile would support equity with more varied and fluctuating distribution of LEA salaries.

OSSE modeled several scenarios to project impacts of potential changes on both system costs and provider-level awards

- Scenario 1 reflects the minimum salary changes included in the FY25 BSA language (exclusion of educators with <CDA, elimination of bachelor's differential) with no other changes.
- Scenario 2 reduces CDF payroll funding formula awards (see slide 23) and partially offsets the impact of reductions for lower-resource programs by increasing the equity enhancement (see slide 25). It maintains the BSA's exclusion of educators with <CDA but does not reduce salary differential for educators with bachelor's degrees.
- Scenarios 3 and 4 build on Scenario 2, but incorporate additional reductions to minimum salaries to further reduce program costs, using alternative approaches outlined in slide 27
 - Scenario 3: Across the board reduction
 - Scenario 4: Reduce minimum salaries for teachers who have not obtained an associate degree
- **All modeled scenarios include:**
 - Exclusion of early educators with <CDA, HC4CC at \$12 million, OSSE administration at \$2 million.
 - An additional cost estimate that reflects alignment of PEF credentials with updated licensing regulations.

Each scenario also addresses potential implications for child care provider payments, using provider archetypes

- Provider A: Non-subsidy, high tuition, 30-40 eligible educators
- Provider B: Non-subsidy child development center, 10-15 eligible educators
- Provider C: Subsidy center, 20-25 eligible educators
- Provider D: Subsidy center, 50+ eligible educators
- Provider E: Non-subsidy expanded home, four eligible educators
- Provider F: Subsidy expanded home, four eligible educators

Note: Educators with less than a CDA are included in the counts of eligible educators in the baseline scenario but not in the FY25 scenarios.

A note on modeling scenarios

All scenarios modeled reflect both:

High-level choices about how to
prioritize resources (e.g., directional
increase/reduction)

Specific assumptions about
percentage/number
increase/decrease

In reviewing scenarios, it is helpful to focus on the **high-level choices/trade-offs** and their **directional impacts**. Specific percentage/number assumptions can be adjusted up or down in order to meet funding level target levels or address unintended implications as needed.

In light of this, it is possible to meet cost constraints in any of scenarios 2-4 by adjusting specific percentage assumptions, even as underlying data assumptions update.

Scenario 1: BSA Language

What this scenario involves: Elimination of wage supplements for assistant teachers with <CDA; reduction of wage supplement for teachers with a bachelor's degree to equal that for teachers with an associate degree.

Projected System Costs

	Baseline	Scenario 1	% change
Base Award	\$43,255,533	\$36,109,894	-17%
Administrative Enhancement	\$6,488,330	\$5,416,484	-17%
Equity Adjustment	\$5,702,368	\$4,880,700	-14%
FY24 Supplement	\$16,633,871	\$13,922,123	-16%
Facility Subtotal	\$72,080,102	\$60,329,201	-16%
Total Projected Costs	\$86,830,102	\$75,079,201	-14%
FY25 Funding Level	\$70,000,000	\$70,000,000	0%
Projected Deficit/Surplus	-\$16,830,102	-\$5,079,201	-70%
Projected Deficit/Surplus with credential alignment		-\$7,706,624	

Rationale:

- Would go into effect if no legislative changes.
- Broad support for eliminating wage supplement for early educators with <CDA.

Risks:

- Would impose large salary reduction on teachers with bachelor's degree.
- Does not provide sufficient cost reduction to meet available funding without other formula changes.

Additional considerations

- Task force members expressed significant opposition to full elimination of bachelor's degree salary differential.
- Because there are abundant, accessible pathways for educators to earn CDA, savings from elimination of <CDA salary will likely reduce in future years (this is true for all modeled scenarios).

Scenario 1: BSA Language

Implications for early educators and child care providers

Minimum Salaries

Role	Credential	FY24	Scenario 1	Number of Educators
Assistant Teacher, Associate Home Caregiver	<CDA	\$43,865	\$36,400 (-17%)	608
	CDA	\$51,006	\$51,006	854
	Associate +	\$54,262	\$54,262	382
Teacher, Home Caregiver, Expanded Home Caregiver	CDA	\$54,262	\$54,262	926
	Associate	\$63,838	\$63,838	339
	Bachelor's +	\$75,103	\$63,838 (-15%)	508

Projected change in provider awards

Provider	FY24	% of Total Salary Obligation Covered by Award	Scenario 1	% of Total Salary Obligation Covered by Award
Provider A: Non-subsidy Center, High Tuition	\$927,375	45%	\$704,958	37%
Provider B: Non-subsidy Center	\$275,899	35%	\$242,217	31%
Provider C: Subsidy Center	\$501,584	39%	\$394,287	33%
Provider D: Subsidy Center	\$1,405,881	44%	\$1,130,138	38%
Provider E: Non-subsidy CDX	\$91,210	39%	\$74,369	34%
Provider E: Subsidy CDX	\$57,964	28%	\$53,877	27%

Scenario 2: Reduce CDF Formula awards, enhance equity adjustment

Projected System Costs

	Baseline	Scenario 2	% Change
Base Award	\$43,255,533	\$41,832,514	-3%
Administrative Enhancement	\$6,488,330	\$5,019,902	-23%
Equity Adjustment	\$5,702,368	\$6,822,871	20%
FY24 Supplement	\$16,633,871		-100%
I/T Enhancement		\$2,215,788	
PT/PY Adjustment		-\$1,496,011	
CDX/H Enhancement		\$442,672	
High Tuition Reduction		-\$659,022	
Facility Subtotal	\$72,080,102	\$54,178,714	-25%
Total Projected Costs	\$86,830,102	\$68,928,714	-21%
FY25 Funding Level	\$70,000,000	\$70,000,000	0%
Projected Deficit/Surplus	-\$16,830,102	\$1,071,286	-106%
With credential alignment		-\$2,222,192	

What this scenario involves:

- Reduces administrative enhancement.
- Eliminates FY24 supplement.
- Right sizes awards for part-time staff.
- Right sizes awards for part-year programs.
- Increases equity adjustment weight by 25 percent for programs serving subsidized children; adds weights for programs serving infants and toddlers and child development homes.
- Reduces awards for providers with tuition >90th percentile.
- Maintains FY24 salary levels for all early educators except those with less than a CDA.

Rationale:

- Meets available funding level for FY25 at current credential levels.
- Replaces FY24 supplement with targeted, equity-based redistribution.

Risks:

- Facility awards may not be adequate to meet minimum salaries.
- Projected costs may exceed available revenues after accounting for updated credentials to align with licensing regulations.

Scenario 2: Reduce CDF Formula awards, enhance equity adjustment

Implications for early educators & child care providers

Minimum Salaries

Role	Credentials	FY24	Scenario 2	Number of Educators
Assistant Teacher, Associate Home Caregiver	<CDA	\$43,865	\$36,400 (-17%)	608
	CDA	\$51,006	\$51,006	854
	Associate +	\$54,262	\$54,262	382
Teacher, Home Caregiver, Expanded Home Caregiver	CDA	\$54,262	\$54,262	926
	Associate	\$63,838	\$63,838	339
	Bachelor's +	\$75,103	\$75,103	508

Projected change in provider awards

Provider	FY24	% of Total Salary Obligation Covered by Award	Scenario 2	% of Total Salary Obligation Covered by Award
Provider A: Non-subsidy Center, High Tuition	\$927,375	45%	\$617,989	35%
Provider B: Non-subsidy Center	\$275,899	35%	\$215,921	31%
Provider C: Subsidy Center	\$501,584	39%	\$398,558	32%
Provider D: Subsidy Center	\$1,405,881	44%	\$1,127,727	36%
Provider E: Non-subsidy CDX	\$91,210	39%	\$85,526	37%
Provider E: Subsidy CDX	\$57,964	28%	\$51,779	26%

Scenario 3: Scenario 2 + across the board minimum salary reduction

Projected System Costs

	Baseline	Scenario 3	% change
Base Award	\$43,255,533	\$40,158,533	-7%
Administrative Enhancement	\$6,488,330	\$4,819,024	-26%
Equity Adjustment	\$5,702,368	\$6,549,956	15%
FY24 Supplement	\$16,633,871		-100%
I/T Enhancement		\$2,127,108	
PT/PY Adjustment		-\$1,436,160	
CDX/H Enhancement		\$424,965	
High Tuition Reduction		-\$632,661	
Facility Subtotal	\$72,080,102	\$52,010,766	-28%
Total Projected Costs	\$86,830,102	\$66,760,766	-23%
FY25 Funding Level	\$70,000,000	\$70,000,000	0%
Projected Deficit/Surplus	-\$16,830,102	\$3,239,234	-119%
With credential alignment		\$77,544	

What this scenario involves:

- Everything in Scenario 2.
- 2% across the board reduction in required minimum salaries for all eligible early educators.

Rationale:

- Meets available funding level for FY25, including credential alignment.
- Distributes salary reduction evenly (in percentage terms) across early educators with at least a CDA.

Risks:

- Reduces required minimum salaries for all early educators.
- Facility awards may not be adequate to meet minimum salaries.
- Even if required minimum salaries are reduced, some facilities might not be able to reduce what they pay without losing staff.

Scenario 3: Scenario 2 + across the board minimum salary reduction implications for early educators and child care providers

Minimum Salaries

Role	Credentials	FY24	Scenario 3	Number of Educators
Assistant Teacher, Associate Home Caregiver	<CDA	\$43,865	\$36,400 (-17%)	608
	CDA	\$51,006	\$49,986 (-2%)	854
	Associate +	\$54,262	\$53,177 (-2%)	382
Teacher, Home Caregiver, Expanded Home Caregiver	CDA	\$54,262	\$53,177 (-2%)	926
	Associate	\$63,838	\$62,561 (-2%)	339
	Bachelor's +	\$75,103	\$73,601 (-2%)	508

Projected change in provider awards

Provider	FY24	% of Total Salary Obligation Covered by Award	Scenario 3	% of Total Salary Obligation Covered by Award
Provider A: Non-subsidy Center, High Tuition	\$927,375	45%	\$593,269	30%
Provider B: Non-subsidy Center	\$275,899	35%	\$207,284	28%
Provider C: Subsidy Center	\$501,584	39%	\$382,615	30%
Provider D: Subsidy Center	\$1,405,881	44%	\$1,082,617	35%
Provider E: Non-subsidy CDX	\$91,210	39%	\$85,419	38%
Provider E: Subsidy CDX	\$57,964	28%	\$50,015	26%

Scenario 4: Scenario 2 + reduce salary for teachers without associate

Projected System Costs

	Baseline	Scenario 4	% change
Base Award	\$43,255,533	\$38,842,964	-10%
Administrative Enhancement	\$6,488,330	\$4,661,156	-28%
Equity Adjustment	\$5,702,368	\$6,251,844	10%
FY24 Supplement	\$16,633,871		-100%
I/T Enhancement		\$2,042,591	
PT/PY Adjustment		-\$1,413,685	
CDX/H Enhancement		\$418,117	
High Tuition Reduction		-\$521,529	
Facility Subtotal	\$72,080,102	\$50,281,457	-30%
Total Projected Costs	\$86,830,102	\$65,031,457	-25%
FY25 Funding Level	\$70,000,000	\$70,000,000	0%
Projected Deficit/Surplus	-\$16,830,102	\$4,968,543	-130%
With credential alignment		\$1,911,976	

What this scenario involves:

- Everything in Scenario 2.
- 6 percent reduction in required minimum salaries for CDC and CDX teachers with a CDA; no change in required minimum salaries for other eligible early educators.

Rationale:

- Meets available funding level for FY25.
- Salary reductions focused on educators who do not meet current licensing requirements.

Risks:

- Facility awards may not be adequate to meet minimum salaries.
- Teachers with CDA are largest group of early educators.

Additional considerations:

- Creates disparity between assistant teachers with associate degree and teachers with CDA; equalizing across eligible assistant teachers and teachers with CDA would further reduce costs.
- Increases incentives for teachers to obtain associate degree; could increase compliance with minimum education requirements but increase fiscal pressures on Early Childhood Pay Equity Fund and limited scholarship funds in future years.

Scenario 4: Scenario 2 + reduce salary for teachers without associate implications for early educators

Minimum Salaries

Role	Credentials	FY24	Scenario 4	Number of educators
Assistant Teacher, Associate Home Caregiver	<CDA	\$43,865	\$36,400 (-17%)	608
	CDA	\$51,006	\$51,006	854
	Associate +	\$54,262	\$54,262	382
Teacher, Home Caregiver, Expanded Home Caregiver	CDA	\$54,262	\$51,006 (-6%)	926
	Associate	\$63,838	\$63,838	339
	Bachelor's +	\$75,103	\$75,103	508

Projected change in provider awards

Provider	FY24	% of Total Salary Obligation Covered by Award	Scenario 4	% of Total Salary Obligation Covered by Award
Provider A: Non-subsidy Center, High Tuition	\$927,375	45%	\$601,709	30%
Provider B: Non-subsidy Center	\$275,899	35%	\$204,493	27%
Provider C: Subsidy Center	\$501,584	39%	\$343,025	27%
Provider D: Subsidy Center	\$1,405,881	44%	\$1,090,748	35%
Provider E: Non-subsidy CDX	\$91,210	39%	\$87,732	38%
Provider E: Subsidy CDX	\$57,964	28%	\$46,794	24%

Key Takeaways from Modeling

- It is possible to meet available funding levels through proposed funding formula and minimum salary adjustments.
 - Small adjustments to specific percentages/numbers can ensure costs stay within available funds in any of Scenarios 2-4.
- All or most child development facilities will receive a decrease in award payments under all scenarios modeled
 - The only exceptions may be child development homes that get little to no cut.
 - The range of decrease is highly variable, depending on education profile of educators and applicability of equity enhancements.
- It is very difficult to bring costs into alignment with available funds without reducing salaries for some or all educators.
- Aligning credentials for Early Childhood Educator Pay Equity Fund calculation purposes with licensing regulations will create additional one-time cost pressures (but is important to do for clarity and equity purposes).

What are the options if child care providers do not have sufficient funds to pay cost of minimum salaries?

Apply for a waiver

Providers that cannot meet minimum salaries for some or all eligible educators without operating at an unsustainable deficit may receive a waiver. Providers with waivers are not required to meet minimum required salaries, but must pay higher salaries than those in effect on Sept. 30, 2023 and are subject to increased monitoring.

Implications:

- Some early educators may make less if their employer receives a waiver.
- Employers that receive waivers may struggle to recruit/retain staff.
- Too many providers on waivers would overwhelm OSSE monitoring capacity.

Opt out of program

Providers that cannot afford to meet minimum salaries under a new formula may choose not to participate in the Early Childhood Educator Pay Equity Fund.

Implications:

- These providers would no longer receive funding to increase staff pay or be subject to compensation requirements.
- Early educators employed in these programs will earn less.
- Employers may struggle to recruit/retain staff.
- A large number of providers opting out would undermine long-term program viability.
- Equity implications if less resourced providers are more likely to opt out.

Adjust business model

Some child care providers may choose to make other business changes (e.g., increasing tuition rates, reducing staffing, changing mix/ages of children served) in order to meet minimum salary requirements with reduced CDF payroll awards. Some may choose to close.

Implications:

- Increases in tuition would negatively impact families and could undermine support for the Early Childhood Educator Pay Equity Fund.
- Given diversity of provider business models, it is difficult to project implications of other changes.



While Task Force has expressed desire to minimize reductions in minimum salaries, impact of reductions on educators must be weighed against potential implications of not doing so.

Decision Point

Align on proposed approach for modifying CDF payroll funding formula to reduce costs and better target funds to child care providers based on need

Choose among options for adjusting minimum required salaries to enable the fund to be implemented with available resources

Endorse proposed reduction to OSSE administrative expenditures

Provide input on potential additional levers for controlling future cost growth

Decision point: which of modeled approaches to reducing minimum salaries does Task Force prefer?

Across the Board

Role	Credentials	FY24	Scenario 3	Number of Educators
Assistant Teacher, Associate Home Caregiver	<CDA	\$43,865	\$36,400 (-17%)	608
	CDA	\$51,006	\$49,986 (-2%)	854
	Associate +	\$54,262	\$53,177 (-2%)	382
Teacher, Home Caregiver, Expanded Home Caregiver	CDA	\$54,262	\$53,177 (-2%)	926
	Associate	\$63,838	\$62,561 (-2%)	339
	Bachelor's +	\$75,103	\$73,601 (-2%)	508

Focus on Teachers without associate degree

Role	Credentials	FY24	Scenario 4	Number of educators
Assistant Teacher, Associate Home Caregiver	<CDA	\$43,865	\$36,400 (-17%)	608
	CDA	\$51,006	\$51,006	854
	Associate +	\$54,262	\$54,262	382
Teacher, Home Caregiver, Expanded Home Caregiver	CDA	\$54,262	\$51,006 (-6%)	926
	Associate	\$63,838	\$63,838	339
	Bachelor's +	\$75,103	\$75,103	508

Decision Point

Align on proposed approach for modifying CDF payroll funding formula to reduce costs and better target funds to child care providers based on need

Choose among options for adjusting minimum required salaries to enable the fund to be implemented with available resources

Endorse proposed reduction to OSSE administrative expenditures

Provide input on potential additional levers for controlling future cost growth

Given potential long-term fiscal pressures on the fund, it may also be necessary to include automatic cost controls

Automatic across the board reduction in required minimum salaries

- **What this would look like:** If projected costs for the fund in a given year (based on expenditures in the preceding two quarters) would exceed available revenues, OSSE will automatically implement an across the board reduction in required minimum salaries at the level needed to eliminate any projected shortfall for the next four quarters. If at a future point in time projected costs based on two quarters show an anticipated surplus for the coming year, the reduction could be partially or fully restored.

Waitlist for new providers to opt into Early Childhood Educator Pay Equity Fund

- **What this would look like:** If projected costs for the fund in a given year (based on expenditures in the preceding two quarters) would exceed available revenues, OSSE would impose a waitlist for new providers to enter the program. Under the waitlist, new providers would be able to join the program only when another provider exited (e.g., due to acquisition or closure).
- **Prioritization:** OSSE would establish prioritization criteria for new providers on the waitlist:
 - Providers acquiring facilities already participating in the fund from another provider
 - Providers serving infants and toddlers
 - Providers that accept child care subsidies
 - Providers located in geographic areas with identified shortages of quality child care

Cost control mechanisms: Key questions for Task Force consideration

- What questions or concerns does the Task Force have about these proposed options?
- What factors are important to consider in operationalizing either of these options?
- Does the initial prioritization criteria for additional providers look right? What else should be considered?
 - Providers acquiring facilities already participating in the fund from another provider
 - Providers serving infants and toddlers
 - Providers that accept child care subsidies
 - Providers located in geographic areas with identified shortages of quality child care

Automatic across the board reduction in required minimum salaries

Waitlist for new providers to opt into Early Childhood Educator Pay Equity Fund

Outstanding issues for Task Force discussion after Sept. 30

- Explore potential additional strategies/data points for better assessing and aligning provider awards with actual need to meet minimum salary requirements in the future.
 - Other provider characteristics (e.g., PKEEP participation, employer sponsorship).
 - Specific needs of growing programs and child development homes.
 - Options for broader rethinking of formula/mechanisms in the future.
- Review understandings of "parity" and "equity" in implementation of the fund.
- Provide input on strategies for controlling long-term spending pressures.
- Outline long-term vision and prioritization if additional funds are available in the future.
- Provide feedback/input on OSSE implementation.