Report of the Early Childhood Educator Equitable Compensation Task Force

Submitted to the Mayor and Council of the District of Columbia

September 30, 2024

Report of the Early Childhood Educator Equitable Compensation Task Force

Submitted to the Mayor and Council of the District of Columbia

Table of Contents

I. Task Force charge and overview of recommendations
II. Proposed educator salary scale
III. Proposed adjustments to the CDF funding formula
IV. OSSE administrative costs
V. Anticipated total costs of the Pay Equity Fund
VI. Mechanisms to control growth and relieve spending pressure
VII. Guiding principles
VIII. Task Force membership
IX. Appendix

Key Terms and Abbreviations Used throughout this Report

CDC Child Development Center
CDH Child Development Home
CDX Child Development Expanded Home
CDF Child Development Facility (includes CDCs, CDHs, and CDXs)
FTE Full-time equivalent employee
LEA Local Education Agency
PEF Pay Equity Fund
WTU Washington Teachers Union

Teacher
For purpose of the the Early Childhood Educator Pay Equity Fund, the term "Teacher" includes the following titles: child development center teachers, child development home caregivers, and expanded child development home caregivers

Assistant Teacher
For purpose of the the Early Childhood Educator Pay Equity Fund, the term "Assistant Teacher" includes the following titles: child development center assistant teachers, child development home associate caregivers, and expanded child development home associate caregivers

I. Task Force charge and overview of recommendations

The Early Educator Equitable Compensation Task Force (referred to throughout as the Task Force) is pleased to submit this report to the Mayor and Council, fulfilling the requirements of the FY25 Budget Support Act (BSA), which directs the Task Force to submit a report to the Mayor and the Council by Sept. 30, 2024 that:

- Recommends changes to the Early Childhood Educator Pay Equity Fund moving forward, including recommendations for limiting fiscal pressures through FY28;
- Proposes a new compensation scale[1] 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 financial parameters assumed in this report reflect the limits defined by the approved FY25 budget, which funds the Early Childhood Educator Pay Equity Fund at $70 million annually over the four-year budget plan, of which $12 million annually is allocated to the DC Health Benefit Exchange Authority to pay for premiums for HealthCare4ChildCare (HC4CC), and up to 5 percent of total funds (or $3.5 million) may be used by the Office of the State Superintendent of Education (OSSE) to cover the costs of administering the program. All of the recommendations that follow adhere to those budget parameters. In addition to bringing the PEF's total cost in line with available funding, the Task Force's proposed adjustments to the payment formula target funds more efficiently and equitably among participating child care providers. Finally, Section VI of this report includes strategies to address spending pressures that may emerge over the course of the four year budget plan.

GIven the financial constraints described above, the Task Force had to make difficult decisions about how to prioritize available funds. The recommendations in this report reflect a set of guiding principles that grounded the Task Force's approach to finding viable solutions in sub-optimal conditions.

IMPORTANT TIMING NOTE regarding implementation of any proposed changes:

In September 2024, OSSE distributed to child care providers participating in the Early Childhood Educator Pay Equity Fund the fourth quarterly payment for FY24. Consistent with OSSE's established policies for the the PEF, under which participating child care providers are not required to meet minimum salary requirements until after receiving their first payment for the fund, this quarterly payment is expected to support costs of staff compensation in the quarter following participating child care providers' receipt of it (i.e., October-December 2024). Given that FY24 Q4 awards distributed in September 2024 were calculated based on the FY24 minimum salaries and child development facility (CDF) funding formula, child care providers who received payment in September 2024 are expected to

[1] The BSA includes a placeholder table of minimum salaries 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 was invited to make alternative recommendations for achieving the necessary savings.

continue paying eligible early educators regular wages or salaries that meet the FY24 minimum salary requirements through Dec. 31, 2024.

The changes proposed in this document will not take place until, at the earliest, the FY25 first quarterly payment to be distributed to child care providers in December 2024, and the salaries paid to early educators in the quarter following that payment (i.e., January-March 2025). In some cases, the changes proposed in this report are also dependent upon Council action, which the Task Force hopes will reflect the Task Force's recommendations, but is at the Council's discretion.

Child care providers and early childhood educators should refer to official OSSE communications to determine specific implications for themselves. The Task Force recommends that OSSE update this official information as soon as possible to reflect Task Force recommendations and any Council action and engage in proactive communications and delivery of technical assistance to eligible early educators and child care providers to assist them in understanding the implications of these changes.

II. Proposed educator salary scale

In support of its charge to reduce the overall cost of the Pay Equity Fund, the Task Force recommends two significant changes to the existing payscale. The chart below reflects the **minimum** salaries for three credential levels in each eligible role. Proposed changes from the current minimums (FY24) are highlighted and bold. As noted above, the FY25 BSA includes a placeholder for proposed salaries, which the Task Force was invited to adapt. The final column reflects the Task Force's recommendation. Note: CDFs are not prohibited from paying more than the minimum; **this is a floor not a ceiling**.

Current and proposed <u>minimum</u> annual salaries by role and credential level

Role	Credential	FY24 (current)	FY25 BSA Placeholder proposed	Task Force Proposed	
Assistant Teacher, Associate Home Caregiver	<CDA	$43,865 *($21.09/hr)*	**$36,400 (-17%)** ***$17.50/hr (min wage)***	**$36,400 (-17%)** ***$17.50/hr (min wage)***	
	CDA	$51,006 *($24.52/hr)*	$51,006 *($24.52/hr)*	$51,006 *($24.52/hr)*	
	Associate degree+	$54,262 *($26.09/hr)*	$54,262 *($26.09/hr)*	$54,262 *($26.09/hr)*	
Teacher, Home Caregiver, Expanded Home Caregiver	CDA	$54,262 *($26.09/hr)*	$54,262 *($26.09/hr)*	**CDC Teachers and CDX Home Caregivers $51,006 (-6%)** ***$24.52/hr***	CDH Home Caregivers $54,262 *($26.09/hr)*
	Associate degree in ECE[2]	$63,838 *($30.69/hr)*	$63,838 *($30.69/hr)*	$63,838 *($30.69/hr)*	
	Bachelor degree in ECE+[2]	$75,103 *($36.11/hr)*	**$63,838 (-15%)** ***($30.69/hr)***	$75,103 *($36.11/hr)*	

NOTE: The above annual salaries assume full-time full-year employment (40 hours/ week, 52 weeks/year). The expectation is that part time staff be paid at the same minimum hourly rate as full-time staff, assuming the same role and credential.

Below we have summarized the rationales for the Task Force's salary recommendations.

[2] The Task Force endorses aligning the definition of the credentials used for the Early Childhood Educator Pay equity fund with the updated OSSE licensing regulations. See below for further detail.

Reduce the minimum salary for educators with less than a CDA to align with the DC minimum and living wage.

The BSA already excludes the less-than-CDA category from the requirement to set salary minimums, which the Task Force endorses. There is broad support for this change among Task Force members, child care providers and many advocates. This change is aligned with OSSE's licensing requirements and quality goals, creating additional incentive for educators to attain the baseline required credential of a CDA. This change would affect approximately 608 educators, based on facilities participating in PEF in FY24.

This change represents a cost savings for the PEF, as the funding formula would no longer include wage supplements for this category of educator[3]. In addition, for most of the 215 CDFs that currently employ educators with less than a CDA, this also reduces *their* total cost of participating in the program. We have heard from providers that the wage supplement they received for these individuals fell well short of the difference between prior wages/salaries and required minimum salaries, making providers responsible for closing the gap. By lowering the out of pocket costs for CDFs, therefore, eliminating the less-than-CDA minimum also has the impact of increasing the viability and long-term sustainability of the PEF program.

Reduce minimum salary of CDC Teachers and CDX Caregivers with a CDA and no higher degree to the same level as Assistant Teachers and Associate Home Caregivers with a CDA.

The basic rationale for this change is that educators should only be paid at the teacher level if they meet the required credentials for the teacher role. For CDC teachers or CDX providers, that is an Associate's degree (or higher) in ECE, OR at least 60 credit hours or AA in any subject area with at least 12 credit hours in ECE. This change would affect approximately 900 educators, based on facilities participating in PEF in FY24. As with the above recommendation, this shift would both lower the total cost of the PEF, as the wage supplements for those teachers are reduced, and would also lower the overall salary obligations for providers who employ these teachers. (NOTE: This change *does not apply to CDH Caregivers with a CDA*, because they are in fact meeting the licensing requirement for that role. Approximately 20 PEF participating educators are in that category.)

Freeze all minimum salaries at the proposed levels for the duration of the four-year budget plan.

While the Task Force would prefer to see cost-of-living increase as contemplated in the original design of the Pay Equity Fund, in order to remain within the $70 million annual allocation through FY28, it will almost certainly be necessary to freeze minimum salaries at the levels proposed for FY25. If further modeling indicates that - even after implementing the identified cuts and establishing a waitlist for new providers - further salary reductions are necessary, the Task Force recommends that OSSE close that gap by adjusting minimum salaries as described in the section below on mitigating spending pressure.

[3] Over time this savings will diminish to some degree as more educators earn their CDA, in line with quality goals. That said, we expect we will always have a subset of educators in this category as people enter the profession. New entrants are provided a window of two years to earn this baseline credential.

Align Pay Equity credentials with OSSE licensing requirements

The current PEF minimum salary requirements by role and credential were based on the minimum education credential/degree requirements in OSSE's licensing standards for CDFs at the time the program was created. In December 2023, OSSE updated the licensing regulations regarding minimum education requirements for early educators in child care settings. This created misalignment between the minimum education requirements established by licensing regulations and the credential requirements for PEF minimum salary levels; because the FY23 Budget Support Act articulated specific salary requirements and credentials associated with them, OSSE was not able to unilaterally update credentials to align with licensing regulations.The resulting difference created confusion for child care employers and early educators. In line with the revised salary table in the FY25 BSA, the Task Force recommends aligning the PEF standard with OSSE's updated licensing requirements. This would result in a one time increase to the cost of the PEF, due to more educators qualifying for higher credentials that allow them to earn higher minimum salaries, but is important for equity and clarity reasons. The budget projections included in this report factor in the costs of this one-time increase.

Under the aligned definitions, to qualify for the associate level minimum salary a teacher, home caregiver, or expanded home caregiver must have an associate degree (or higher) in early childhood education or a closely related field; OR completion of at least 60 credit hours or an associate degree (or higher) in any subject area with at least 12 credit hours in early childhood education. To qualify for the bachelor's minimum salary, a teacher, home caregiver, or expanded home caregiver must have a bachelor's degree in early childhood education or a closely related field; OR a bachelor's degree in any subject area with at least 12 credit hours in early childhood education.

Establish a new target anchor for adjusting PEF salaries in the future

The Budget Support Act directs the Task Force to propose 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*," amending the previous link to the DCPS Washington Teachers Union (WTU) payscale exclusively. The Task Force reviewed the distribution of DCPS and public charter schools who teach pre-k and kindergarten and found that the current bachelor's level teacher salary minimum, now aligned with the DCPS first year teacher salary (adjusted for 12 months), falls just above the 60th percentile of initial salaries for pre-k and kindergarten teachers across all relevant Local Education Agencies (LEAs), including DCPS and public charter schools.

As noted above, the Task Force is recommending a freeze in minimum salaries at the proposed levels, given existing budget limitations, to constrain near-term fiscal pressures on the fund. This means that, once DCPS and the WTU negotiate a new contract, minimum salaries for child care teachers with a bachelor's degree will no longer mirror the DCPS first year teacher salary and, as other LEAs also increase staff pay in future years, the minimum salary for child care teachers will equate to a lower percentile of the distribution of LEA teacher salaries. In the coming months, the Task Force will develop more specific recommendations about the approach to adjusting PEF salaries in the future, taking into account the full range of LEAs serving pre-K and kindergarten, and contingent upon availability of funding.

III. Proposed adjustments to the CDF funding formula

In considering adjustments to the existing CDF funding formula, the Task Force worked simultaneously to 1) reduce the total cost of the Pay Equity Fund in line with new budget parameters, and 2) allocate the available resources more equitably and efficiently. Below is a summary of the Task Force's recommended changes to the formula. While these proposed changes will impact different providers differently, they will, on net, result in lower payments for virtually all child care providers, with the possible exception of some Child Development Homes, who may experience roughly flat funding. It is important to note that, while child care providers will receive lower payments as a result of these changes, their *costs* to meet required minimum salaries are also expected to decrease, as a result of reductions in minimum salaries for some eligible early educators as discussed in Section II. The chart below summarizes the proposed changes (noted in red). Cost impacts related to each change are detailed in the Appendix.

Element	Current Formula	Proposed Formula
Base Award	● Fixed base amount by role and credential based on former OSSE licensing regulations ● All teachers and assistant teachers eligible	● Fixed base amount by role and credential, adjusted by part-time vs. full time educator ● All teachers and assistant teachers with at least a CDA are eligible ● Align PEF credential requirements with current OSSE licensing regulations
Administrative Enhancement	15% of Base Award; all providers eligible	● Reduce to 12%† of Base Award ● Limit eligibility limited to providers charging tuition below 90th percentile of market rates
Subsidy Equity Adjustment	Subsidy enrollment as percent of total licensed capacity * Base Award * 60%	Increase factor to 80%†
Infant/Toddler Equity Adjustment	NA	Infant/toddler capacity as percent of total licensed capacity * Base Award * 15%† (limit eligibility to providers below 90th percentile of market rate tuition)
CDH/X Equity Adjustment	NA	30%† of Base Award. All CDHs and CDXs eligible.
FY 24 Supplement	Additional 30% of Base + Admin Enh + Equity Adjustment	Eliminate
School-year only programs	NA	Rightsize awards for programs that operate only during the school year (-25%)†

†Each of these recommended adjustment factors reflects current modeling. As OSSE continues to refine the model in response to changing data, some of these may require minor modifications - up or down.

Below are brief descriptions and rationales for our recommended changes to the current formula.

FY24 Supplement

The Task Force proposes eliminating the FY24 supplement in full. This move almost entirely closes the budget gap. When the FY24 supplement was added to the funding formula in September 2023, it was communicated to child care providers that this was a temporary change to support providers during the initial implementation of a new program and new minimum salary requirements. This change is consistent with that communication.

Base Funding

The Task Force proposes several adjustments that will reduce overall base funding. These changes incorporate the changes in minimum salaries discussed in Section II and more equitably differentiate awards based on full- and part-time staff.

- **Eliminate wage supplements for educators with less than a CDA**. **Reduce wage supplements to reflect reduction in minimum salaries for CDC and CDX teachers with less than an AA.** These adjustments reflect the recommendations noted above to lower the minimum salary of educators with less than a CDA to minimum living wage, and reduce the minimum salaries of CDC and CDX teachers with less than an AA to the same level as assistant teachers with a CDA. These changes reduce the overall cost of the PEF, as well as reducing CDF's required salary costs. As noted above, this would not affect CDH teachers with CDAs.
- **RIght-size wage supplements for part-time educators.** This change would mean that CDFs are being funded more precisely according to their number of FTEs. (NOTE: This would not change the hourly rate at which these individuals would be paid.)

Administrative Enhancement

This component of the funding formula is designed to cover the higher payroll taxes that inherently come with the salary increases. Child care providers have emphasized the importance of including these costs in calculating their awards. The Task Force recommends that this element continue to serve that purpose, but recommends two changes that would reduce the cost of the administrative enhancement and more efficiently target resources.

- **Reduce the administrative enhancement from 15 percent of the base to 12 percent.** This reduced amount should still cover the cost of mandatory payroll taxes, including increased paid leave contributions.
- **Limit the eligibility for the administrative enhancement to providers whose tuition is below the 90th percentile of market rate.** Child care providers that charge higher tuition rates have greater access to revenues through tuition, and thus greater ability to pay minimum salaries than those that charge lower tuition rates or receive the majority of their income from child care subsidies. This proposed change would reduce the degree to which the Early Childhood Educator

Pay Equity Fund subsidizes staff costs for providers with higher tuition revenues, who should be able to cover a larger share of the costs of the minimum salaries than those with less access to resources.[4] This change allows these programs to remain in the Early Childhood Educator Pay Equity Fund, but reduces their awards to better target resources to programs that need more support to meet minimum salary requirements.

Equity Adjustments

The preceding changes all act to reduce both the costs of the Early Childhood Educator Pay Equity Fund and the amount of awards received by participating child care providers. These changes are necessary to bring the fund's costs into alignment with available resources, but the Task Force is cognizant that reducing child care providers' awards will make it more difficult for child care providers–particularly those serving disadvantaged families–to cover the costs of meeting minimum salary requirements. For this reason, the Task Force recommends reallocating a portion of the savings incurred by the above-described cuts to increase the award amounts for child care providers that need the most assistance to meet minimum salary requirements. Most of these child care providers will still receive lower payments from the Early Childhood Educator Pay Equity Fund, which is appropriate given that they will also face lower costs to meet reduced minimum salaries for some staff, but the decrease in awards will be partially offset by the changes below. In other words, the Task Force's recommendations, collectively, *reallocate Pay Equity dollars in ways that better target need.*

The current funding formula includes a single equity adjustment related to the number of children who participate in the District's child care subsidy program as a proportion of a facility's total capacity. The Task Force recommends several changes and additions to this part of the formula to more equitably target funds.

- **Increase the equity adjustment for the proportion of a facility's total licensed capacity that is using subsidy**. The current equity adjustment can provide CDFs with additional funds of up to 60% of their base funding, depending on the proportion of a CDF's licensed capacity that is filled by children using subsidy. The Task Force recommends raising that premium to up to 80% of their base - meaning that if all a facility's licensed capacity is filled by children participating in the subsidy program the facility would receive an additional 80% of their base award. This change would target more resources to child care providers serving higher percentages of disadvantaged children/families with less ability to pay.
- **Add an equity adjustment for the proportion of a CDF's licensed capacity that is infant or toddler, for all CDFs with tuition below the 90th percentile of market rate.** This change would direct more funding to child care providers that serve infants and toddlers, because the cost to serve infants and toddlers is higher than the cost to serve pre-k children, and cost modeling analysis suggests programs are more likely to face larger gaps between tuition/subsidy revenues

[4] Cost modeling suggests those with tuition over 75th percentile of market rate ($2,400+/month) operate at a profit. Those at 90th percentile + ($2,760+/ month) are likely to be able to afford higher salaries than their lower tuition counterparts. Numbers based on 2023 market rate survey.

and costs of delivering care while meeting required minimum salaries for younger age groups. In addition, DC has a shortage of infant and toddler slots and excess preschool capacity, so directing more funds to infant/toddler programs could help align supply to need. The Task Force recommends that eligibility for this enhancement be limited to providers that charge tuition rates below the 90th percentile, because cost modeling analysis also suggests that providers that charge the highest tuition rates have sufficient revenues to cover the costs to deliver infant and toddler care .

- **Add a Child Development Home/Expanded Home Equity Adjustment** Given small size (by definition), CDH/Xs have particularly tight margins and are more acutely affected by fluctuations in enrollment, proportion subsidy, percentage of infants and toddlers and credential changes for any employees. A CDH/X Equity Adjustment would be relatively inexpensive for the Pay Equity Fund but have an outsize impact on individual providers' financial health, and therefore the stability of that portion of the market.

School-year only programs

The Task Force proposes right-sizing the total awards for CDFs that operate only during the school-year. Similar to the change for part-time staff, this amends the business rules to reflect the amount of time educators are working over the course of the yea**r.** Again, this does not affect educators' hourly wages, but ensures that CDFs are only getting funded for the months they are operating. This change would affect 13 CDFs, based on FY24 PEF participation.

IV. OSSE Administrative Costs

The Pay Equity Fund allows for up to 5% of annual funds to go towards OSSE's administration of the program, amounting to $3.5 million annually for FY25-FY28. OSSE believes it can effectively administer the program with $2 million, thereby freeing up $1.5 million annually for program costs, which is assumed in the cost projections below.

OSSE Administrative Costs	
IT system development & maintenance	
DELLT capacity to support pay equity	$300,000
Pay Equity 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**

V. Anticipated total costs of Pay Equity Fund

The Task Force worked with OSSE staff to model the cost of a revised formula, as described above. The analysis used actual PEF data from the fourth quarter of FY24, reflecting the total number of educators employed by PEF providers and their respective roles and credentials. The model adjusted for programs that do not operate for the full year and estimated an overall number of educators who are part-time. It further identified a subset of providers whose tuition data is in the top decile of market rate (at or above the 90th percentile). These last two estimates (part-time educators and top decile tuition) will need to be updated based on real data, which may change over time (given that, for example, most child care programs increase tuition annually, and educators may shift between full- and part-time status). The scenarios below were modeled using financially conservative assumptions (meaning where decision calls where needed, the modeling sought to overestimate costs and underestimate potential savings as a result of changes). Finally, the analysis estimates the cost of aligning PEF credentials with the most updated OSSE licensing regulations.

Total Program Costs

Assuming the adjusted minimum salaries and formula changes described above, the projected cost of the Pay Equity Fund in FY25 falls within the $70 million annual allocation. The chart below compares the

cost of projecting the current formula into 2025 ("baseline") with the estimated cost of adopting the Task Force's recommended formula and minimum salaries ("proposed"). The proposed budget assumes the changes to the formula and minimum salaries described above, along with an overall adjustment that reflects the projected credential distribution that will result from aligning PEF credentials with OSSE updated licensing requirements, as described above.

	Baseline	Proposed
Formula Element		
Base Award (adjusted for reduced salary minimums)	$43,255,533	$38,895,602
Administrative Enhancement	$6,488,330	$4,667,472
Subsidy Equity Adjustment	$5,702,368	$6,680,649
FY24 Supplement	$16,633,871	
Infant/Toddler Equity Adjustment		$3,078,809
CDX/H Equity Adjustment		$517,531
Part-time educator/School-year-only Reductions		(-$1,283,302)
High Tuition Reduction (from administrative enhancement)		(-$640,795)
Subtotal: Payments to Child Development Facilities	**$72,080,102**	**$51,915,967**
HealthCare4ChildCare	$18,000,000	$12,0000,000
OSSE Administrative Allocation	$3,500,000	$2,000,000
Total Costs of the Pay Equity Fund	**$93,580,100**	**$65,915,967**
FY25 Funding Level	$70,000,000	$70,000,000
Projected (Deficit)/Surplus	**(-$23,580,102)**	**$4,084,033**
Projected (Deficit)/Surplus with Credential Alignment		**$917,159**

VI. Mechanisms to control growth and relieve spending pressure

While the Task Force believes the above changes will limit the cost of the Pay Equity Fund to within its $70 million annual budget, the Task Force is aware that multiple factors could create spending pressures over the life of this four-year budget plan. These factors, and potential strategies to address them, are discussed below.

Factors that may create spending pressures

- **Increase in number of child care providers participating in the Early Childhood Educator Pay Equity Fund.** Currently over 80 percent of child care providers (employers) eligible to participate in the PEF already do so, including all but four eligible providers that accept child care subsidies. Given this, and the fact that a subset of child care providers will not accept public funding under any circumstances, the PEF is currently close to reaching saturation of eligible and interested participating programs. It is possible, however, that more child care providers may seek to participate in the program in the future, or that a growth in the number of child care businesses in the District could place upward fiscal pressures on the fund. It is likely that any pressure created by opening new child care providers would be mitigated by churn in the market, based on past market dynamics. There is, however, the possibility of net growth in terms of the number of providers participating in the PEF or the number of educators they employ.
- **Shift in distribution of credentials**. The projected cost estimates in this report reflect the significant shift in credentials that has already occurred over the past year, as educators update their documentation and complete CDA and associate degree programs with the promise of a pay increase. The current estimates further assume the increased cost of aligning PEF credentials with OSSE's updated licensing regulations, as noted above. That said, there is still room for additional educators to meet or exceed the credential requirements for their roles, thereby potentially shifting the distribution of credentials and increasing the cost of the PEF program. OSSE has some visibility into that trajectory, given the number of educators enrolled in OSSE-sponsored CDA and associate degree programs.
- **Increase in the cost of HealthCare4ChildCare.** Up to now, all eligible child care employers and DC residents working in child care wishing to opt in to HC4CC (as employers or individuals) have been able to do so. With its $12 million annual allocation, the DC Health Benefit Exchange will hit a ceiling if the net number of participants and/or the cost of health care premiums increase beyond a certain point.

Mechanisms to relieve above spending pressures

As noted above, shifts in the cost of the Pay Equity Fund are driven largely by changes in the number of participating providers (which determines the total number of eligible educators) and changes in the credential distribution of those educators (which determines the base funding that fuels the CDF funding formula). As a result, responses to cost pressures include both a mechanism to control growth in the total number of providers (i.e., establishing a waitlist) and a mechanism to reduce the overall cost of the funding formula, *without passing on that cost to providers* (i.e., adjusting minimum salaries). The cost

control strategies described below are all within the control of OSSE or the DC Health Benefit Exchange Authority, so could be relatively easily and quickly enacted. The Task Force recommends the following approaches for implementing these responses, should it become necessary based on increases in projected costs

- **Establish a waitlist for new providers, giving priority to programs serving higher need populations.** If the projected costs for the fund in any given year are projected to exceed available revenues, it may be necessary to pause enrollment of new child care providers in the program as a cost control mechanism, allowing new providers to enter the program only as others leave (e.g. due to closure or acquisition). The Task Force recommends that, rather than implementing a waitlist on a "first come, first served" basis, OSSE establish prioritization criteria for providers on the waitlist that include:
    - Providers acquiring facilities already participating in the fund from another provider (essentially "transferring" their participation from one provider to another)
    - Providers serving infants and toddlers
    - Providers that accept child care subsidies
    - Providers located in geographic areas with identified shortages of quality child care
- **Adjust minimum salaries downward.** The Task Force hopes to avoid this contingency, especially given that freezing salaries for four years with no accounting for inflation already amounts to an effective reduction over time. That said, if OSSE has already established a waitlist and is still projecting a spending pressure that cannot be resolved by minor tweaks in the funding formula, the Task Force has recommended an approach to a salary reduction:
    - If projected costs for the fund in a given year (based on expenditures in the preceding 2 quarters) would exceed available revenues, OSSE must 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 2 quarters show an anticipated surplus for the coming year, OSSE must partially or fully restore the reduction, taking into account any projections that inform consideration of future funding pressures.
- **Create a waitlist for HC4CC.** The DC Health Benefit Exchange Authority estimates that the $12 million allocation will allow for no current enrollees to lose coverage, and will ensure residents who lose Medicaid are able to obtain HC4CC. They are prepared to implement a waitlist for new participants in HC4CC, in the case of cost projections that exceed available resources..

The Task Force emphasizes the importance of OSSE proactively communicating these potential cost saving measures to providers and early childhood educators upfront, and providing ample warning and clear instructions, should any of them need to go into effect.

As noted above**,** each of the recommended adjustment factors in the CDF payment formula reflect current modeling. As OSSE continues to refine the model in response to real and changing data, some of these adjustment factors may require minor modifications to address cost pressures, while maintaining alignment with the Task Force's expressed priorities.

VII. Task Force Guiding principles

Within the context of our charge, the Task Force has sought to base our work on a set of guiding principles, which are listed below and were adopted by the Task Force in October 2021 and reaffirmed in March 2024. In turn, the Task Force urges OSSE to heed these principles as it continues to implement the program.

- 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.

VIII. Task Force membership

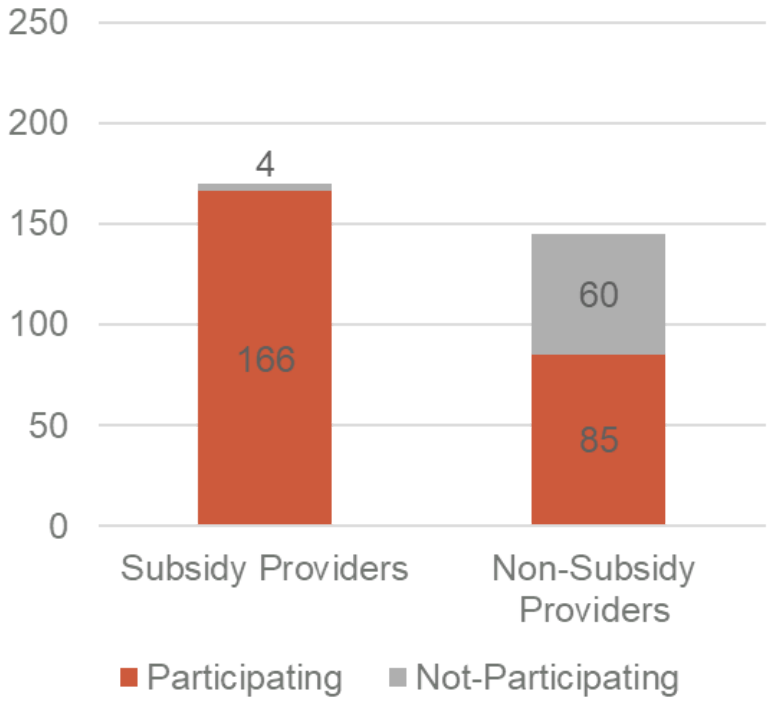
The Task Force comprises a range of stakeholders and experts who have brought their deep knowledge and experience to this work. They have also been able to bring into our discussions the perspectives of the broader networks of stakeholders with whom they interact. Task Force members include:

- Ruqiyyah Anbar-Shaheen, Director of Early Childhood Policy and Programs, DC Action
- Berna Artis, President, DCAEYC
- Jamal Berry, President and CEO, Educare DC
- Cynthia Davis, Founder and CEO, Kings & Queens Child Care Center; Executive DIrector, DC Family Child Care Association
- Marla Dean, Ward 7 Education Council
- Sally D'Italia, Co-chair, DC Directors Exchange
- Maria Cristina Encinas, Board President, Multicultural Spanish Speaking Providers Association (MSSPA)
- Mila Kofman (non-voting member), Executive Director, DC Health Benefit Exchange Authority
- Michael Madowitz, Economist and DC Resident
- Adriana Mantilla, Lead Teacher, Communikids
- Sara Mead, Deputy Superintendent of Early Learning, OSSE
- Taryn Morrissey, Professor, Chair, and Associate Dean of Research, American University School of Public Affairs
- Marica Cox Mitchell, Senior Director, Early Childhood, Bainum Family Foundation
- Kellie D. Salley, Early Childhood Educator
- Abigail Smith (Chair), Owner, BlueSkyEd Consulting
- Angelique Speight Marshall, Owner, Ms. P's Child and Family Services
- Wallrick Williams, Parent; Partner, Boston Consulting Group

IX. Appendix

Cost of Proposed Adjustments to CDF Payment Formula

The chart below tracks the changes in cost connected with each proposed change in the CDF funding formula. The rationales for these proposed changes are described in more detail in Section III. **NOTE:** None of these proposed changes would affect the PEF awards being distributed in September 2024, nor the educator salary minimums through the end of calendar year 2024.

Adjustments to CDF payment formula (reductions)	**Reduction over current formula**
Reductions to Base Award:	
Eliminate wage supplement for educators with <CDA	$1,423,019
Reduce wage supplement for CDC and CDX teachers with <AA	$2,936,912
Right size wage supplement for part-time educators	$602,882
Reduce administrative enhancement to 12% (eligibility for enhancement limited to providers below 90th percentile of market rate tuition)	$2,461,652
Eliminate FY24 Supplement	$16,633,869
Right size awards for school-year-only programs	$680,420
TOTAL ESTIMATED COST REDUCTION TO CDF ANNUAL PAYMENTS	**$ 24.74 million**
Adjustments to CDF formula (increases)	**Increase over current formula**
Increases to Equity Adjustment (assuming changes in Base noted above):	
Increase subsidy equity adjustment factor from 0.6 to 0.8 (base*proportion subsidy*0.8).	$978,281
Add infant/toddler equity adjustment (base*proportion infant/toddler*0.15) *(eligibility limited to providers below 90th percentile of market rate tuition)*	$3,078,809
Add CDH/X equity adjustment (base*0.3)	$517,531
TOTAL ESTIMATED COST INCREASE TO CDF ANNUAL PAYMENTS	**$ 4.57 million**
NET CHANGE OVER CURRENT FORMULA (REDUCTION)	**$ 20.16 million**
ANTICIPATED NET CHANGE FACTORING IN ALIGNMENT WITH OSSE LICENSING REQUIREMENTS (REDUCTION)	**$ 17.0 million**

As of September 2024, 251 of 315 eligible child care providers are participating in the ECE Pay Equity Fund, including all but 4 subsidy providers