Toward Pay Equity
A Case Study of Washington, DC’s Wage Boost for Early Childhood Educators

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The District of Columbia Early Childhood Educator Pay Equity Fund provides large and sustainable wage supplements for early childhood educators working in child care. Synthesizing qualitative evidence from 11 key informants, including DC early childhood education leaders, advocates, and implementation partners; 39 parents and legal guardians of young children enrolled in licensed DC child care facilities; and 29 child care center directors and home and expanded home providers, this case study highlights the historical context behind the Pay Equity Fund, the vision and goals of the fund, early implementation successes and challenges, and future goals. These findings can inform jurisdictions across the country as they design and implement compensation improvements for the child care workforce.

Introduction

In 2022, the District of Columbia became the first jurisdiction in the nation to supplement the wages of early childhood educators with dedicated public funding. The Early Childhood Educator Pay Equity Fund (hereafter referred to as the ‘Pay Equity Fund’) follows DC innovations in universal preschool and the Birth-to-Three for All DC Act of 2018\(^1\) and advances reform efforts that began decades before. The Pay Equity Fund’s primary aim is to achieve pay parity between educators in licensed child care facilities and DC Public Schools (DCPS) by systematically improving the compensation of more than 3,000
eligible early childhood educators employed across roughly 480 facilities licensed to enroll more than 26,000 children.

Nationwide, many states and municipalities are also implementing or planning wage boost initiatives for early childhood educators. These initiatives are often temporary in nature and stem from the COVID-19 pandemic, its decimating effects on child care (Weiland et al. 2021), and the federal relief funds available to mitigate these effects. In contrast, DC’s initiative follows a long history of advocacy and policy movement.

The Pay Equity Fund is funded through a new tax on DC’s highest earners—those making more than $250,000 a year—as reflected in the Early Childhood Educator Pay Equity Fund Establishment Act of 2021, the Fiscal Year 2022 Budget Support Act of 2021, the Office of the State Superintendent of Education (OSSE) Pay Parity Program for Early Childhood Educators Authorization Emergency Amendment Act of 2022, and the Fiscal Year 2023 Budget Support Act of 2022. These legislative efforts established sustainable funding for priorities articulated in the Birth-to-Three for All DC Act of 2018. They authorize unusually large investments: $14,000 for full-time teachers, expanded home providers, home providers, and Montessori teachers (hereafter referred to as ‘teachers’); and $10,000 for full-time assistant teachers, associate caregivers, and Montessori assistant teachers (hereafter referred to as ‘assistant teachers’) for each of the first two years. These investments represent 39 percent and 28 percent of average annual wages for those roles in DC—or 54 percent and 39 percent of average annual wages for those roles nationwide, respectively. FY 2022 payments alone totaled nearly $38 million.

This case study documents the history of the Pay Equity Fund, its early implementation successes and challenges, and its future goals. We draw on perspectives from 11 key informants, 39 parents and legal guardians of young children, and 29 child care center directors and home and expanded home providers engaged in one-on-one or small group virtual interviews in fall and winter 2022–23 through the District of Columbia Child Care Policy Research Partnership (box 1). Together, these data sources provide early insights into the implementation of the Pay Equity Fund.

The Pay Equity Fund continues to evolve, even as of this publication. In FY 2022 and FY 2023, the Pay Equity Fund is disbursing direct payments to eligible early childhood educators working in licensed DC child care facilities, including one lump-sum payment in fall 2022 (for FY 2022) and quarterly payments from October 1, 2022, through September 30, 2023 (for FY 2023). Starting in FY 2024, OSSE will shift to distributing funds to child development facilities. Facilities that accept funds will be required to pay eligible early childhood educators on a salary schedule that reflects the recommendations of the Early Childhood Educator Equitable Compensation Task Force. Evolution of the Pay Equity Fund provides opportunities for research and evaluation to support the work of fund administrators, child care directors, and early childhood educators in DC—and the efforts of states and municipalities across the United States seeking pathways to more sustainable wage solutions.
BOX 1

Case Study Methodology

The findings in this case study draw on insights and perspectives from 11 key informants, 39 parents and legal guardians of children enrolled in licensed DC child care facilities, and 29 child care center directors and home and expanded home providers. We also collected and reviewed policy documents related to the Pay Equity Fund to capture details on eligibility criteria, application requirements, and implementation. Document review and analyses of interview and focus group data were conducted through the DC Child Care Policy Research Partnership.

Key Informant Interviews

From November 2022 through January 2023, we spoke with 11 key informants, including Pay Equity Fund Task Force members charged with recommending how to implement an employee compensation scale for early childhood educators; representatives from OSSE; long-time advocates of child care and early education in the District; staff from AidKit, the intermediary organization OSSE partnered with to distribute payments to early childhood educators; and other implementation partners. A complete list of key informants is included in the acknowledgements section at the end of the case study. Research team members conducted 60-minute interviews with key informants to learn more about

- the goals and vision for the Pay Equity Fund;
- the opportunities and challenges associated with implementing the Pay Equity Fund; and
- how the Pay Equity Fund will impact children, families, and educators in the field.

Virtual Focus Groups with Parents or Guardians

In spring 2022, we surveyed 137 DC residents who had newly enrolled a child in a licensed DC child care program. We held virtual focus groups with a subsample of 39 survey respondents who consented to being recontacted in fall 2022, just as the first Pay Equity Fund payments were rolling out, to probe on specific survey findings around search process difficulty and child care experiences. During the focus groups, we asked parents and legal guardians about their experiences with staff turnover in their child care programs as well as their thoughts on the pay supplements and how their children’s teachers could benefit.

Virtual Interviews with Child Care Directors and Owners

From November 2022 through January 2023, we completed virtual one-on-one and small group interviews with 29 center directors and home providers in licensed child care facilities in DC. These included 19 child care center directors, of which 12 accepted child care subsidies from families with low incomes and participated in Capital Quality, DC’s child care quality rating and improvement system; 6 home providers in licensed child development homes, of which 3 accepted subsidies and participated in Capital Quality; and 4 expanded home providers in expanded child development homes, of which 3 accepted subsidies and participated in Capital Quality. Home providers and expanded home providers were eligible for Early Childhood Educator Pay Equity Fund payments, but center directors were not.

We conducted all interviews and focus groups via Zoom, audio-recorded and fully transcribed responses, and then coded and summarized key themes relevant to each research topic. We protect the privacy and confidentiality of participating parents and legal guardians, center directors, and home and expanded home providers throughout the case study.
Historical Context of the ECE Pay Equity Fund

The Pay Equity Fund follows a mixed history of American injustice in the treatment of early childhood educators and DC innovation in the field of early childhood education. Child care finds its roots in the subjugation of enslaved African women and persists as a low-wage, low-status profession because of enduring inequities (Sykes and Ostendorf 2022). Even within the field, early childhood educators of color are disproportionately staffed in lower-paid positions, and Black educators are paid an average of $0.78 less per hour than white early childhood educators with the same credentials (credentials themselves being the product of structurally unequal opportunities to education; Austin, Edwards, and Whitebook 2019).

Amid this backdrop, DC has been a leader in early childhood investment. It gave rise to the Anacostia Pre-School Project in 1964 and was one of the first jurisdictions to launch the federal Head Start program in 1965 and public preschool in elementary schools in 1972 (Watson 2010). Nearly four decades later, the DC Council unanimously passed the Pre-K Enhancement and Expansion Act of 2008,12 which guaranteed prekindergarten for every 3- and 4-year-old in the District. This act also established OSSE’s role in overseeing prekindergarten. A decade later, the DC Council passed the Birth-to-Three for All DC Act of 2018,13 which further expanded early childhood investments with a focus on infants and toddlers and further extended OSSE’s oversight to other early childhood education programs in addition to prekindergarten. Most notably, the Birth-to-Three for All DC Act of 2018 required OSSE to develop a competitive compensation scale for lead teachers and teaching assistants in licensed child care programs.

This decade of innovation saw other changes in the District of Columbia as well. DC reached full implementation of its enhanced quality rating and improvement system (QRIS), Capital Quality, in 2019. Capital Quality assesses child care facilities using a consistent definition of program quality and incentivizes and fosters quality improvement. DC also raised its child care subsidy reimbursement rates and increased minimum education requirements to an associate degree for teachers in child care centers and expanded home providers, and to a Child Development Associate (CDA) credential for assistant teachers, home providers, and associate caregivers. These requirements take effect on December 2, 2023, and resources and supports are available for educators to meet these requirements, including scholarships and incentives offered through the DC Leading Educators toward Advanced Degrees (DC LEAD) grant.14 These investments all reflect a growing commitment to child care quality and its importance for young children’s development and helped build momentum for the Pay Equity Fund (see box 2 for a timeline of key events). Still, like many jurisdictions, DC historically faced persistent issues of low wages, high turnover, and burnout among early childhood educators—all of which were exacerbated by the expansion of universal prekindergarten and the onset of the COVID-19 pandemic (Hernandez-Lepe et al. 2022).

Although the 2018 Birth-to-Three for All DC Act made many important legislative changes, it did not establish a funding mechanism to compensate early childhood educators, as the act intended. To fulfill the goals outlined in the act, the DC Council voted in 2021 to raise taxes on individuals making
more than $250,000 a year and to use portions of that money to fund wage supplements for child care workers. Key informants explained how the new tax aligned with some DC councilmembers’ goals for more, and more progressive, taxation and reflected the contributions of child care staff during the pandemic. This legislation was monumental in that it generated the revenue necessary to implement compensation scales for early childhood educators in a sustainable way. DC councilmembers voted to put aside $54 million from the first year of the additional tax revenues for the wage boosts.  

Along with this revenue stream, in October 2021, the DC Council established the DC Early Childhood Educator Equitable Compensation Task Force. The task force was charged with developing a strategy to disburse funds and identify bold solutions to achieve compensation equity between educators in licensed child care facilities and DCPS.

The task force reviewed the findings and recommendations from the “Early Childhood Educator Compensation in the Washington Region” study (Isaacs, Adelstein, and Kuehn 2018) and submitted a series of reports to the mayor proposing a mechanism for distributing payments in both FY 2022 and future fiscal years. Payments were to reflect employee role, credentials, and experience. The task force held that a long-term solution would involve new and likely complex systems, but urgent workforce pressures called for a complementary strategy that would distribute funds to educators in the short term. Other guiding principles included

- committing to centering those furthest from opportunity and disrupting structural racism embedded in the child care system,
- advocating for all early childhood educators within DC’s mixed delivery model,
- minimizing administrative burdens on educators and programs as well as other unintended consequences, and
- ensuring dollars get to educators as intended.

In short, the task force aimed to “nurture a strong and stable child care market in which educators can rely on increased wages and programs can effectively plan their budgets” (Council of the District of Columbia 2022).

To that end, in January 2022, the task force gave its recommendations for FY 2022—specifically, that DC give an immediate one-time payment of $14,000 to full-time teachers, $10,000 to full-time assistant teachers, and half those amounts to part-time staff. Then, in March 2022, the task force released recommendations in a final report proposing a compensation model that would create alignment with the DCPS teacher salary scale; for example, a teacher with an associate degree in early childhood education would earn a minimum of $56,725 annually, or $27.27/hour. The January and March 2022 reports together shape much of the District’s short- and long-term strategies for disbursing payments from the Pay Equity Fund.
Vision and Goals of the Pay Equity Fund

In one-on-one and small group interviews, we asked key informants to reflect on the vision and goals of the Pay Equity Fund from their perspectives. We summarized themes across the interviews and identified three main goals of the fund: addressing historical inequities in the field, improving staff recruitment and retention, and improving the quality of care provided to District children and families.

Equity: Addressing Gender Discrimination and Systemic Racism

Key informants echoed the Pay Equity Fund–enabling legislation and task force report in defining pay equity as pay parity between early childhood educators employed at DC child development facilities and DCPS teachers. They argued that early childhood educators are educators who should be paid in alignment with other educators in the area. One key informant reflected, “Teachers’ compensation in real dollars is declining, but it is still higher than child care and comes with additional benefits such as retirement, health benefits, and paid vacation.”

Many key informants picked up on the equity goals of the Pay Equity Fund. Several reflected on how racial and gender discrimination have led to the child care workforce being disproportionately women and women of color and how early childhood educators continue to be severely underpaid despite playing a critical role in shaping the lives of young children. Key informants also identified structural barriers to increasing pay. As one interviewee reflected, child care facilities cannot accrue “additional revenue beyond what families can afford to pay [or public subsidies cover], which makes it...
difficult to pay staff a living wage.” Another described how these inequities pervade the child care market, but the challenges around compensation are “especially true for providers serving low-income families in historically marginalized communities and Black and brown communities.”

The sector has relied—for a variety of economic, social, and cultural reasons, including legacies related to racial and gender discrimination—on the exploitation of an underpaid workforce. That is not sustainable from an equity perspective.
—Key informant

Several key informants noted the Pay Equity Fund attempts to redress past inequities by establishing a dedicated public revenue source and infusing that money into the system so child care center directors, home and expanded home providers, and families do not have to absorb the cost of increased educator compensation. Another agreed that the fund is “creating a situation where the early child care system does not have to rely on the exploitation of underpaid workers,” as investments raise compensation to levels “more appropriate for the importance of the work, the skills that [their workers bring], and the labor market within which [child care providers] operate.”

Improving Staff Recruitment and Retention

Key informants and the task force cited attracting and retaining a stable workforce as a second goal of the Pay Equity Fund. The child care sector has long experienced high rates of staff turnover and low staff morale. Although evidence on reasons for turnover is limited,17 key informants recalled how many workers have mentioned leaving the workforce to work at chains such as McDonald’s or Amazon because they can make more money working there than with children. Some believe that the wage supplements will keep child care workers in the sector and “instill a sense of professionalism to the field.” As one key informant stated, “increasing compensation and benefits in line with teachers should help programs retain and recruit staff.”

Beyond the financial benefits of receiving a living wage, “[The fund] really gave them something that makes them feel valued,” reflected one interviewee who interacts with the DC child care community on a daily basis. Another key informant reflected on how some of the recipients “didn’t believe it when they heard [the fund] was going to happen, because they didn’t believe someone was paying attention” to their needs. Another shared that before the Pay Equity Fund, she “was going out hunting for people [to work in child care] and even asked the parents if they were interested,” but now, she “see[s] the ones who have left coming back.”
Improving Quality of Care in the District

Key informants also emphasized the goal of improving child care quality in the District. The impacts of high staff turnover and low morale extend beyond difficulties in hiring. In focus groups with parents, some described staff turnover as negatively affecting their children. Some parents hoped that the Pay Equity Fund would not only support worker compensation and make educators feel valued but also improve the continuity and quality of care children receive. A key informant argued that the one-time payments were “life altering and will help [early childhood educators] get out of some dire financial situations and overall improve their mental health and well-being.” In turn, this will “improve their interactions in the classroom,” which would then “trickle down to the children, and when there is more present energy in the classroom, parents and children will start to see the effects in intangible ways.” Several other key informants shared these views. As one described, the fund “will create higher quality care in DC as a result. [The fund] is about improving outcomes for children.”

Although many key informants and parents linked the Pay Equity Fund with improved child care quality, there were divergent perspectives. For example, one key informant explained that the fund provides individual bonuses with no requirement to improve quality and stated that “giving away money with no return to the system is foolish.” This interviewee argued that the fund was not developed with a theory of change and instead encouraged advocates and government officials “to focus on quality” centered on improving child outcomes.

Ultimately, key informants and parents agree that the Pay Equity Fund has the potential to improve the quality of child care for children in the District. Even though it was not a stated goal, many families and key informants are hopeful that the fund will improve staff well-being, attract a more competent workforce, and reduce staff turnover, which will then foster educator-child attachment and create a positive experience for children in licensed child care.

_I have come to see the vision as supporting an underappreciated, underserved, underrecognized, underfunded field and providing pay parity for educators working with the District’s youngest children._

—Key informant

Implementing the Pay Equity Fund

Our interviews with key informants, child care providers, and parents in late 2022 and early 2023 shed light on how recommendations from the DC Early Childhood Educator Equitable Compensation Task Force informed Pay Equity Fund payments and the fund’s early implementation. Summarizing themes
shared across these interviews, we identified four issues of early implementation: payment structure, implementation partners, communication and outreach, and payment distribution.

Reflections on Payment Structure

The task force emphasized the need for both short- and long-term strategies for disbursing payments. In the short term, the task force recommended that OSSE prioritize getting payments out to educators as soon as funding was available. In the long term, the task force recommended finding a sustainable way of incorporating funding into regular wages. The legal and logistical complexity of creating such a sustainable mechanism meant that short- and long-term strategies would be different.

Key informants described how payment structures evolved. In fall 2022, lump-sum FY 2022 payments of $14,000 for full-time teachers and $10,000 for full-time assistant teachers were distributed to eligible early childhood educators. Beginning in December 2022, FY 2023 payments shifted toward a quarterly disbursement schedule, with annual payment amounts totaling the fall 2022 lump-sum payment. Like the first payment, quarterly payments would be provided directly to educators but divided up over the year in efforts to support staff retention and financial planning. A third-party vendor would disburse both the lump-sum and quarterly payments. This solution allowed OSSE time to develop and vet plans for a more sustainable funding mechanism that would flow directly through child care employers as envisioned by the task force.

In DC, the short-term payment structure came with fears of unintended consequences. Program directors, parents, and key informants described widespread concerns that large lump-sum payments could encourage a "mass exodus." One key informant explained how “in the short term, [the payments] might lead to more turnover of staff who are waiting to leave and that administering these bonuses could lead to more turnover...[though short-term turnover] will likely not have long-term implications.” Another agreed that “some of [the turnover] will occur,” but “people who are going to leave are going to leave anyway.” That informant added that “the majority of the field loves what they do and are committed to serving the children of the District of Columbia.”

In an attempt to mitigate these fears, the FY 2022 Pay Equity Fund application included a self-attestation of continued employment. The application stated that payments were “meant for individuals who intend to stay employed in a licensed child development facility through at least December 31, 2022,” and applicants were asked to confirm that they read and acknowledged this statement with a signature. OSSE guidance clarified that recoupment of funds would occur “only in cases where individuals knowingly submit inaccurate or misleading information on their applications.” Still, key informants described how this self-attestation was subject to extensive legal review and could be perceived as coercive.

Despite early concerns regarding staff turnover, many key informants expressed that they did not see a mass exodus from the field as of winter 2022–23. One respondent explained, “Those fears were overstated. People are happy. They are going to stay in their jobs. I never understood the rationale for that.” Follow-up analysis of staff retention data will provide additional evidence on whether these fears came to fruition.
Starting in FY 2024, the task force recommends adoption of a long-term Pay Equity Fund payment structure. Instead of direct payments to educators, which the task force felt was not a sustainable program model, the goal would be to incorporate funding into educators’ earnings received from the facility employing them. Plans for this structure are discussed in detail below.

**Establishing a Partnership to Implement the Pay Equity Fund**

As part of the Pay Equity Fund’s short-term strategy, the task force recommended that OSSE partner with a third-party vendor to prioritize swifter distribution of funds to early childhood educators. OSSE was authorized to directly select a partner and, in May 2022, announced it had selected AidKit to serve as the intermediary of the program.

AidKit is an organization that helps organizations and government entities distribute cash assistance. While AidKit was still a relatively new organization at the time they were hired, it had already established a track record of rolling out cash assistance to undocumented workers in Colorado during the height of the pandemic. Key informants described how OSSE prioritized selection of a partner that could distribute cash payments to a large and diverse workforce, including undocumented populations, using multiple payment options.

Before launching the Pay Equity Fund, OSSE conducted a census of early childhood educators eligible for payments. The census involved a push to improve the timeliness and accuracy of administrative data and the development of a portal for facility leadership to make regular updates. Key informants indicated that the census was one of the factors that made the fund’s implementation successful. OSSE coordinated with center directors and home and expanded home providers across all licensed child care facilities to review and update staff lists and contact information in the Division of Early Learning Licensing Tool (DELLT) database. Because DELLT captured eligibility information (including staff positions and dates of employment), AidKit did not have to incorporate a high-level verification system in its payment application process, easing enrollment.

AidKit held a number of primary responsibilities related to the Pay Equity Fund’s early implementation. It provided application and technical support to applicants, supported OSSE and community partners on communication and outreach, and oversaw payment processing. AidKit also created an online platform so that early childhood educators who were denied payments or misclassified in the DELLT database could submit appeals. Several key informants admitted they were initially surprised by OSSE selecting an unfamiliar vendor based outside of DC and had some doubts about the partnership. Ultimately, they found the pairing seamless and successful. “I was shocked when I heard that they had picked a firm with limited experience in terms of being a company, but I have to be honest with you. It was phenomenal,” said one key informant. In fact, AidKit had recruited someone with experience in DC to oversee implementation efforts. Key informants applauded AidKit for making this staffing decision. “The technology they have, plus recruiting someone who knew the community—it was flawless, responsive. Anytime, if we had problems, we could call and someone would answer.” Key informants highlighted the importance of community knowledge and building trust. Specifically, project leadership already knew a lot about the community and how OSSE was structured and familiar with
DELLT, so [they] could work closely with OSSE to move things along." These incoming strengths built the foundation for a strong partnership.

Communication and Outreach for the Pay Equity Fund

Using information from DELLT, OSSE identified about 3,200 educators potentially eligible for FY 2022 Pay Equity Fund payments. They needed to find a way to build trust in the application process and boost participation in a timely manner. Following task force recommendations, OSSE and AidKit faced an ambitious timeline to collect and process applications and distribute FY 2022 payments over a matter of weeks. The application window opened on August 15, 2022, and closed on September 20, 2022, for early childhood educators in eligible positions employed as of May 16, 2022.

OSSE worked closely with AidKit to develop a strong communications strategy to get the word out to early childhood educators regarding their eligibility for payments. The strategy included two virtual information sessions, a regularly updated FAQ, and print materials available in English, Spanish, and Amharic (the three most common languages among DC’s early childhood educators). Child care program directors and home providers mentioned hearing about the Pay Equity Fund through several forms of communication, including emails, phone calls, social media, community engagement events, letters in the mail, and from staff who had heard about it first. Strong partnerships within the community proved key to a successful outreach and engagement strategy.

_I think that initially [early childhood educators] were kind of leery, because OSSE is always saying they’re going to provide things, they’re going to do things, and it doesn’t materialize. But this time it worked, and so I think they were appreciative and excited about it and just looking forward to it being something that is continual._
—Center director

Key informants shared that the child care community has had a somewhat tense relationship with OSSE in the past, posing challenges for communication and engagement. Comments from key informants and program directors suggest a feeling of disconnect between decisions made by OSSE leadership and the reality of child care services in practice. The increase in minimum education requirements, rollout of Capital Quality, and other initiatives set high expectations—and some program directors felt their voices were not heard (Schilder et al. 2022). Interviews with key informants, center directors, and home and expanded home providers suggest that implementation of the Pay Equity Fund has started to reverse this feeling and build greater trust.
To forge connections with early childhood educators, OSSE recommended some community-based organizations for AidKit to partner with. The first partnership was with the Multicultural Spanish Speaking Association (MSSPA). Program administrators wanted to make sure they could adequately reach Spanish-speaking and Amharic-speaking educators in the District. As one key informant described, “[MSSPA] hired outreach support staff” and “provided in-person, one-on-one support on Saturdays, and they went into facilities that we knew had high numbers of Spanish- or Amharic-speaking staff to provide one-on-one support there.” AidKit also partnered with Capital Quality’s quality facilitators—coaches who work with center directors and home and expanded home providers to support the implementation of quality improvement plans. Quality facilitators were assigned to about 250 of the nearly 500 licensed facilities in the District, and they visited these facilities weekly to ensure educators and directors knew about the fund. A key informant found these community partnerships invaluable and easy to work with because “these structures already existed, so it was great to tap into that.” Both intermediary groups were compensated for their work.

Although these communications strategies were praised by many key informants, some expressed that messaging and outreach left unanswered questions. One key informant recounted how misinformation was able to spread through word of mouth: “word got out about these one-time supplements being pandemic relief” rather than sustainable increases in compensation. This misinformation, in turn, could have stoked fears of mass exodus: “some did leave [after getting the first payment], but then they might have reconsidered [leaving] once they learned that this is going to be more of a permanent increase.” Because OSSE and AidKit partnered with two organizations employing several communications staff members, they struggled at times to maintain consistent messaging. Even extensive outreach and messaging could not address all concerns. Key informants suggested that a small number of eligible early childhood educators did not apply for the FY 2022 lump-sum payment. Key informants believed these people worried there was a “catch” and that OSSE would impose additional requirements on them—or that Pay Equity Fund payments would not be worthwhile given implications for public benefits receipt and personal finances. Despite these limitations, the communication strategy was largely successful. According to key informants and OSSE estimates, well over 90 percent of eligible early childhood educators applied for payments.

—I didn’t think I was the person who would qualify for that. It just didn’t seem in my reach. I have a small child care. So that’s kind of what I know. I think someone just randomly called from the office once and asked me, and then I told them, ‘Oh, I don’t qualify.’ They pretty much chase you down to give me money, that’s interesting. I’m not going to say no to that.
—Home provider
Verifying Eligibility and Distributing Pay Equity Fund Payments

Key informants and child care directors and owners generally agreed that payment distribution was smooth. In their experiences, most applicants received their payments quickly and without issue. Still, 3 of the 29 providers interviewed noted issues such as locating foreign credentials or misclassification in DELLT that either delayed or negated payments. Specifically, they mentioned the challenge of making sure each staff member was entered into the system and labeled correctly. As one center director described, "I wish they had launched it a little differently...we needed to make sure everyone was labeled as a lead teacher, and getting all that in and making sure it was in the system properly so people get what they [deserve]...we weren't really sure initially...you got a short amount of time...to upload the documents and make sure everything was in order."

METHODS OF RECEIVING PAYMENT

Applicants could choose to receive their payment via direct deposit to their bank account or a debit card. Most applicants chose the direct deposit option, and this was AidKit's preferred method as well. Direct deposit is the most secure method because of the traceability of electronic transfers. AidKit cannot recover funds lost because of fraudulent activity or lost debit cards. They did put safety measures in place, including sending pins separately from debit cards and only loading money onto the cards after activation.

A few key informants observed circumstances where educators preferred to receive debit cards, such as if they were unbanked or had a shared bank account and wanted to keep these funds separate for personal use. AidKit partnered with DC Child Care Connections, the District's child care resource and referral agency and an OSSE grantee, to distribute debit cards to individuals who did not want debit cards mailed to their place of residence. Recipients could pick up their debit cards from two different locations in the District. For many, payment receipt was a joyous occasion worthy of celebration.

Recipients were very excited...For some people, this money is life changing. Some of them have never had that amount of money at one time. You could see the sense of pride: one woman brought her husband and her daughter, and it was a family affair. It drew tears...Their heads were held high, and this was a good thing.

—Key informant

APPEALS PROCESS

To address issues with payment distribution, OSSE built an appeals process. If an application was denied for reasons related to employment status or staff type, an applicant could submit an appeal to OSSE's Division of Early Learning. Decisions resulting from the appeals process were communicated through AidKit. Key informants explained that each appeal was considered carefully. The most common
reason for denial was because of lack of evidence of eligibility—specifically, that the applicant did not have an eligible staff type. For example, some staff were labeled as “Substitute” or “Other,” but if they were able to demonstrate a primary job responsibility of delivering early care and education services to children, OSSE would consider their appeal. Applicants were responsible for submitting their own appeals, and employers were responsible for providing supporting evidence, including by coordinating with OSSE to update staff type information in DELLT. Although key informants noted the delicacy of appeals in some ambiguous cases, several expressed that OSSE and AidKit were responsive and willing to work with applicants throughout the process.

TAX IMPLICATIONS
As appeals were resolved and spring 2023 approached, three issues arose around taxation for Pay Equity Fund payments. First was a lack of clarity about whether the payments would be taxed, even though early communications about the Pay Equity Fund, the AidKit application, and follow-up materials attempted to raise awareness that payments counted as taxable income. For example, the application stated, “Please note, supplemental payments are subject to both state and federal taxes. AidKit will provide early childhood educators who receive funds documentation to submit in their 2022 and/or 2023 taxes.” Still, this message and follow-up guidance from OSSE may not have reached all early childhood educators, based on comments and anecdotal observations shared by key informants.

Second, taxes were not withheld from the lump-sum and quarterly payments in an effort to disburse funds quickly, meaning early childhood educators had to guess how much would be due back to the government during tax season. The application continued, “Early childhood educators who receive a supplemental payment may wish to consult with an accountant or other tax expert, and/or to save a portion of funds received to cover potential future tax liabilities.” Because some early childhood educators earn less than the amount required to pay income taxes, they are used to getting a tax return, and may be unfamiliar with tax specialists, this guidance may not have achieved its intended goals. Several program directors shared this concern, with one asking, “Are [educators] gonna get hit with a tax bill,” especially “if they’re used to getting a tax benefit?”

Third, questions arose around how payments would be taxed, causing additional confusion and anxiety during tax season. Lump-sum and quarterly payments represent a new form of income. Educators faced the responsibility of paying additional taxes (if payments are counted as self-employment income) and needed to ensure compliance with tax filing deadlines and potential state or federal audits. OSSE supported tax preparation through community-based organizations such as CentroNia, which offers early childhood education and wraparound family supports (including tax clinics) and offered tailored webinars, documentation, and one-on-one tax consultation for payment recipients. Still, the issues were not resolved until a couple of weeks before the tax filing deadline, and their resolution was only possible through the efforts of community tax advocates, consultation with tax professionals, and receptiveness and flexibility of AidKit. Several interviews highlighted tax messaging and supports as an area for improvement in future implementation.
ISSUES OF INELIGIBILITY AND ‘WAGE COMPRESSION’

In addition to the challenges described above, many key informants and nearly half of the program directors we spoke with brought up issues of fairness and equity in eligibility for the payments. Early childhood educators do the important work of caring for children directly, but many other staff members—cooks, bus drivers, janitorial staff, front office workers, and instructional coaches—contribute to child care businesses and care quality and were not eligible for the Pay Equity Fund. While home providers and expanded home providers were eligible, center directors were not. Key informants highlighted issues of “wage compression” in child care centers, where payments shrink the difference in pay between leadership and early childhood educators and could dim the appeal of program administration, causing pipeline problems in the future. Continuing advocacy and the FY 2024 funding structure have the potential to address these unintended consequences and broaden the benefits of the Pay Equity Fund.

I believe the people that put it together, I believe and hope that they were truly being thoughtful in that way—and it was a good push, and it was a great win for the child care facility workers and the family care workers. I just feel like, again, we just can’t stop. We have to continue to make sure that there is pay equity throughout the entire organization. It’s nice to focus on a group of people, but it takes a really big village to run an early childhood development program.
—Home provider

Future Goals

One-time and quarterly payments are only the beginning of the Pay Equity Fund. Starting in FY 2024, bulk payments will be made directly to child development facilities that opt into the program and agree to follow the minimum early childhood educator salary schedule, by position and degree, established by OSSE. This shift in funding mechanism is intended to infuse extra money throughout child care—not just to early childhood educators in the form of wage supplements. Key informants reflected on the challenges and opportunities anticipated in this shift.

Transitioning from Direct Payments to Educators to Payments through Employers

Key informants described how OSSE created one-time and quarterly payments to ease early implementation of the Pay Equity Fund, following the recommendations of the task force. Despite the challenges of updating DELLT, collecting applications, and distributing funds, several key informants agreed that this approach was less burdensome than making payments through employers. Starting in FY 2024, however, payments will go to participating providers and can be spent on wages in addition to other program costs. As one key informant shared, “Direct-to-employees [payments] should never be
the long-term goal, but every place is so unique...OSSE has the challenge of trying to ensure the dollars are used for integrity and going towards salary and not replacing what they were paying them already.” Another agreed, “The facilities have to do the work that AidKit did and disseminate those funds, and I am curious what structures will be put in place to ensure teachers receive their amount in their wages.” At this time, building the administrative infrastructure and human resources supports necessary to distribute payments remains an open question as OSSE drafts guidance for FY 2024.

Employers can choose whether to participate in the FY 2024 payments, which supports employers’ autonomy but may pose challenges to increasing educator pay in the long run. Issues of trust in government, capacity for interacting with public systems, and appetite for additional funds may all play a role in employers’ decisions to opt in to or out of the Pay Equity Fund. One key informant noted the challenges inherent in the new approach: “Employers may not choose to participate, so I think one of the challenges is designing a program that is truly a good deal for the providers and accessible and understandable for them.” Whether and how spending will be monitored, and if early childhood educators working in participating facilities will receive the same level of wage boosts as under the current system, will all shape the next phase of implementation. Potential unintended consequences include lowering wage supplement amounts relative to the current direct-to-educator approach, disincentivizing participation among employers (especially those with significant private resources), and stoking fears of government overreach—named by one key informant as “socializing our entire system.”

So why make direct payments through employers? The Pay Equity Fund was designed as a sustainable infusion of resources into child care rather than a one-time or short-lived bonus administered through a third-party vendor. In contrast to initiatives in other jurisdictions, advocacy for the Pay Equity Fund began well before the pandemic and does not rely on temporary federal investments. Instead, the fund will incorporate money into regular compensation structures and boost the overall revenue of participating programs. One key informant explained, “This money is not for retention [in the wake of the pandemic]; it is for equity and meant to be permanent.” Another key informant shared that “finding the right level of autonomy [for employers] will be important. They know their programs best. Simplicity is going to be the innovation.” Other key informants highlighted that the next phase of the Pay Equity Fund will include grappling with the varying structures of child care businesses—which include for- and not-for-profit firms, large and small facilities, child development centers, homes, and expanded homes—and designing payment systems that work for all.

Key informants, child care directors and owners, and parents of young children were all interviewed before OSSE released its initial guidance for FY 2024. The guidance states that OSSE will distribute funds directly to facilities through a “child development facility (CDF) payroll funding formula.” To receive funds, child development facilities must be licensed and agree to pay eligible early childhood educators by position and degree, but not experience (as in DCPS), salaries that meet or exceed the minimum salaries established by OSSE for FY 2024. The formula is based primarily on the number of eligible staff, but also an equity adjustment for the share of enrolled children who receive child care subsidies and an “administrative enhancement” for all facilities to cover additional administrative costs.
HealthCare4ChildCare and Other Initiatives in DC

In addition to the evolution of wage supplements, key informants brought up three other initiatives that will shape the future compensation and well-being of the early childhood educator workforce. These include DC’s Healthcare4ChildCare program, quality improvement initiatives, and increased workforce qualifications requirements.

HealthCare4ChildCare is an initiative funded through the Pay Equity Fund that provides funding for licensed child care facilities to offer free or lower-premium health insurance to staff through DC Health Link’s Small Business Market. It was designed to complement wage supplements and draws on the same pool of tax revenue to expand early childhood educators’ total compensation. Like the wage supplements, HealthCare4ChildCare is a landmark public investment. Though our interview protocol did not intentionally cover this initiative, several key informants brought it up organically. Most of these key informants supported the investment. Three, however, disagreed with the timing of its rollout. HealthCare4ChildCare launched just after the wage supplements, bringing two significant compensation policy changes to early childhood educators all at once. Three key informants expressed that funding for health care would have been better used to increase pay for center directors in the short term while DELLT data and AidKit application information helped increase understanding of health care needs in the longer term. Further, one key informant noted the complexity of health insurance exchanges, describing how enrollment in health insurance coverage “is really confusing to people and eroding to some extent the credibility OSSE earned from the Pay Equity Fund.” Additional research can help illuminate successes and challenges of HealthCare4ChildCare as implementation continues.

Quality improvement initiatives offer additional resources to early childhood educators and long predate the Pay Equity Fund. The District launched its original QRIS in 2000 and has made significant investments in its current QRIS, educator professional development, and the Quality Improvement Network (the District’s locally and federally funded Early Head Start–Child Care Partnership). Together, these efforts intend to boost child care quality and children’s developmental outcomes. Key informants were divided on whether and how the Pay Equity Fund will contribute to ongoing quality improvement. As one key informant described, funding alone "is one component of a system to improve student outcomes. This fund does not address all aspects of the system...It is not just getting money to get money—it is getting money to improve the outcomes for the children." Ongoing research can explore potential links between the Pay Equity Fund, staff recruitment and retention, instructional quality, and child outcomes.

Key informants mentioned one additional set of policies that dovetail with the Pay Equity Fund: increasing qualifications requirements for early childhood educators employed in licensed child development facilities. OSSE adopted new regulations in fall 2016 that raised center director requirements to a bachelor’s degree; center-based teacher and expanded home provider requirements to an associate degree; and center-based assistant teacher, home provider, and associate caregiver requirements to a CDA credential, all of which include specializations in early childhood or related fields. The regulations have been met with resistance, including lawsuits, and are slated to take full effect by December 2023. At least one key informant cited the Pay Equity Fund as a natural next step in compensating early childhood educators for the enhanced education and training requirements in the new regulations.
Conclusion

This case study describes the history, vision, and early implementation of DC’s Early Childhood Educator Pay Equity Fund, a first-of-its-kind initiative designed to improve compensation for early childhood educators. By showcasing both implementation successes and challenges, this case study offers lessons for other jurisdictions seeking to establish sustainable solutions toward addressing inequitable compensation in child care. Although political will and momentum played no small part in the successful launch of the Pay Equity Fund, strong infrastructure—in terms of both the strength of local partnerships and community outreach and the capacity to distribute payments and manage the program’s operations—were also key to ensuring the program reached nearly all corners of the workforce and carried out its intended goals.

Looking forward, the DC Child Care Policy Research Partnership will document how the fund has impacted the field, particularly in shaping educator job satisfaction and retention along with perceived quality of care in the District. The partnership will also document potential unintended consequences of the fund, including tax implications, lost access to public benefits, and issues of ineligibility and wage compression. Early childhood educators, child care directors and home and expanded home providers, and key informants will share their perspectives as the Pay Equity Fund transitions to employer provision in FY 2024.

As the District moves toward pay equity, evidence of addressing past inequities in child care—including gender discrimination and systemic racism—will be the barometer of success.

Notes

3 Early Childhood Educator Pay Equity Fund, DC Official Code § 1-325.431 (2022), https://code.dccouncil.gov/us/dc/council/code/sections/1-325.431#:~:text=(a)%20There%20is%20established%20as,(c)%20of%20this%20section.
8 In DC, child care facilities fall into one of three licensing categories: child development centers, child development homes, and expanded child development homes. Child development homes can care for up to 6 children in the home of a “home provider,” and expanded child development homes can care for between 6 and 12
children in the home of an “expanded home provider.” “Associate caregiver” is the term used for support staff employed in a home or expanded home. Across facility categories, part-time staff are defined as those who work between 10 and 30 hours per week, on average, or who have worked at least 80 hours in the last eight weeks. Full-time staff work 30 or more hours per week, on average, or have worked at least 240 hours in the last eight weeks.


The resolution involved the reclassification of ECE Pay Equity Fund payments for tax purposes. Initially, AidKit issued 1099-NEC (nonemployee compensation) forms classifying payments as self-employment income or pay from independent contract work. Community tax advocates and tax experts argued that this classification was mistaken and that misclassification would result in 15.3 percent self-employment taxes that early childhood educators would need to pay unnecessarily. Upon consultation with tax professionals, AidKit issued corrected 1099-NEC forms for $0 and issued 1099-MISC forms for the full amount of ECE Pay Equity Fund payments. AidKit communicated these changes to each recipient, shared tax resources, and apologized for the inconvenience. As of case study publication, state and federal tax authorities have yet to confirm the 1099-MISC form as the correct approach.

References


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