EARLY CHILDHOOD

Implementing a New Revenue Stream Model to Enhance Early Childhood Educators' Wages

Findings from the DC Center Director Interviews and Surveys

Laura Jimenez Parra **Eve Mefferd** **Elli Nikolopoulos** **Alicia Gonzalez**

Heather Sandstrom **Erica Greenberg** **Justin B. Doromal** **Rachel Lamb**

URBAN INSTITUTE

RESEARCH REPORT

October 2025

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Acknowledgments

This report was funded by the Administration for Children and Families (ACF) of the US Department of Health and Human Services (HHS) as part of a financial assistance award (Grant No. 90YE0284) totaling $1.6 million, with 100 percent funded by ACF/HHS. Study findings are those of the authors and do not necessarily represent the official views of, nor an endorsement by, ACF/HHS or the US government. For more information, please visit the ACF website, Administrative and National Policy Requirements. We are grateful to ACF and to all our funders, who make it possible for Urban to advance its mission.

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We thank the District of Columbia Office of the State Superintendent of Education (OSSE), Division of Early Learning (DEL), for engaging in the DC Child Care Policy Research Partnership. We are especially grateful to Kathryn Kigera, director of quality initiatives at DEL; Sara Mead, deputy superintendent of early learning at OSSE; Hannah Matthews, director of policy, planning, and research at DEL; and Charmaine Llagas-Mulhern, education research analyst at DEL, for their ongoing support and feedback on study products. We thank the center directors who participated in our surveys and interviews for sharing their thoughts and experiences with us. Finally, we thank the Child Care Policy Research Partnership Community of Practice, including other grantees, program officers, and technical assistance experts who have enriched our work.

Executive Summary

Despite the crucial role they play in supporting young children and their families, early educators working in child care have historically received very low pay, which has contributed to staffing challenges and instability in the child care sector. In a fragile market dependent on private tuition and federal funding to offset costs for eligible families with low incomes, child care providers nationwide often struggle to attract and retain qualified staff. In an effort to offer fair wages and stabilize the supply of quality child care available to families, the District of Columbia (DC) made a significant public investment in child care educator compensation in 2022 by providing educators with direct wage supplements that raised their pay by almost 40 percent from an estimated median of $35,000 a year (Mefferd et al. 2024). Beginning in October 2023 (FY 2024), DC transitioned away from this direct supplemental payment model to a district-wide early childhood educator (ECE) compensation program. The program created a new revenue stream model to provide funding to licensed child care providers, helping them offer competitive wages, improve recruitment and retention of qualified staff, and support early childhood educators in advancing their careers. Under this new structure, providers who opt in to receiving funding agree to meet minimum salary scales established by the Office of the State Superintendent of Education (OSSE), which implements the program.

The Urban Institute, in partnership with OSSE, is conducting a study to address key questions about the implementation of the ECE compensation program. In this report, we examine the implementation of the new revenue stream model, center directors' perspectives on the model, and the lessons learned that can inform future efforts to enhance compensation for the early childhood workforce. While the program is open to centers and family child care homes, this report focuses on findings from interviews and survey responses from center directors to illustrate how child care businesses with multiple employees navigated the transition to the new funding structure. Although child care center directors do not always have a final say in decisions about staff compensation or program participation in publicly funded programs, since many report to owners or nonprofit boards, they are responsible for administration at the child care site level, including developing and managing budgets as well as recruiting, developing, managing and evaluating early educators and other program staff. As such, center directors play a vital role in the implementation of a program, such as the new revenue stream model, which seeks to increase compensation for child care staff by distributing funds to employers, rather than directly to early educators.

We describe the reported motivations of child care program leaders for participating in the new revenue stream, as well as the successes and challenges of its implementation. The directors' narratives highlight the potential of the program to strengthen staff recruitment, retention, and quality of care by raising educator pay, while also revealing areas where administrative processes, communication, and payment structures could be improved. Taken together, our research provides a detailed examination of both the benefits and operational complexities of implementing wage enhancements in child care centers.

Key Findings

- **Motivations:** Directors participated in the program to retain and recruit qualified staff in a competitive labor market, ensure fair compensation, enhance the quality of care provided, and recognize the value of early childhood educators. Many viewed the program as critical to maintaining morale and supporting career advancement for staff.
- **Implementation successes:** The new revenue stream allowed centers to flexibly allocate operational funding to meet their specific needs, including raising pay above minimum levels and providing compensation for noneducator roles. Several directors also noted that the revenue stream structure helped maintain more affordable tuition for families despite rising costs. Administrative processes required to apply for and receive the funds were generally manageable, and clearer tax implications reduced financial stress for staff. Directors appreciated support from OSSE and partner organizations and expressed a preference for the new revenue stream model over the previous direct payment approach.
- **Implementation challenges:** Some directors reported confusion about eligibility, educator role classifications, and payment amounts, particularly during the transition to the new model. Administrative burdens, including completing waiver applications and navigating systems like District Integrated Financial System (DIFS) and Division of Early Learning Licensing Tool (DELLT), were especially challenging for smaller centers with limited staff. Directors also faced payment timing and cash flow challenges, which affected payroll planning, and gaps in communication made it difficult to resolve urgent questions quickly.
- **Unintended consequences:** Wage compression between staff and leadership created concerns about pay disparities and morale. Some directors felt that standardized salary requirements limited operational flexibility, and the new structure could require tuition increases that would be a burden for families. A few directors reported that the payment amounts or funding formulas were insufficient to fully meet the needs of their centers.

These findings provide lessons for how ECE compensation program design, funding structures, and communication strategies influence both its success and impact on early childhood education.

Implementing a New Revenue Stream Model to Enhance Early Childhood Educators' Wages

Beginning in FY 2024, DC established a new revenue stream to distribute funding to eligible licensed child care providers to help them offer competitive wages and thereby attract and retain a more stable and qualified workforce.[1] Implemented by the Office of the State Superintendent of Education (OSSE), this revenue stream marked the final phase in DC's effort to raise early childhood educators' pay. Until this point, DC invested in child care compensation by providing early educators with direct supplemental payments annually and then quarterly. Under the new revenue stream, child care providers could apply for voluntary funding and then commit to meeting OSSE's minimum salary scales, which differ by educator role and education level. By February 2024, the second quarter of implementation of this structure, 340 child care providers in DC—or 80 percent of eligible providers—were participating in the initiative (OSSE 2024). As of July 2025, the number of providers increased to 348, or 86 percent (OSSE 2025).

To examine the implementation and outcomes of DC's ECE compensation program, the Urban Institute is conducting a multiyear study in partnership with OSSE and supported by the federal Administration for Children and Families through a 2022 Child Care Policy Research Partnership grant. The study aims to

- document the mission, goals, and early implementation of the initiative;
- raise up the experiences of early educators eligible for and receiving enhanced wages and the experiences and views of their employers; and
- disseminate findings to DC and national audiences to inform future innovations in compensation strategies for this workforce.

The study includes new survey data collection, interviews, focus groups, and analyses of administrative data from OSSE that, together, provide a detailed picture of implementation successes and challenges, and for whom this ECE compensation program is or is not working well and why.

This report presents key findings from surveys and interviews of child care center directors, focusing specifically on their perspectives on the transition to the new revenue stream structure in FY 2024, their motivations for participation, and the successes and challenges of its implementation. Box 1 provides details about the research team's data collection efforts.

BOX 1

Summary of Study Methods and Sample Demographics

While DC's ECE compensation program is available to licensed center- and home-based providers, this component of the study focuses specifically on the experiences of center directors. Child care centers consistently make up the majority of providers participating in the ECE compensation program (78 percent as of July 2025).[a] Moreover, centers provide over 95 percent of child care slots in the District, meaning they account for most of the supply of care.[b] In addition, center directors (or other administrators) are not always the final decision-makers, since many report to an owner or board, but their perspectives remain central for understanding how decisions are shaped and how the new revenue stream model is administered and implemented. Other components of this study, presented in companion publications, share perspectives from center- and home-based educators as well as home-based owners and operators.

Center Director Surveys

In fall 2024, we invited 285 directors overseeing 366 licensed child care centers in DC to participate in a voluntary, self-administered web survey. We used monthly listings of operational licensed child care providers, published by the Office of the State Superintendent of Education (OSSE), to identify centers operating for at least one month from May to July 2024. Any child care center that was eligible to apply for funding through the FY 2024 ECE compensation program could complete the survey, regardless of whether the center participated in the program. Though we made earnest efforts to reach both participating and nonparticipating providers, we received only a small number of responses from nonparticipating providers. Ultimately, survey findings presented in this report draw from the responses of 94 center directors from 121 centers that participated in the ECE compensation program in FY 2024, yielding a 33 percent response rate.

The survey was conducted through Qualtrics and was designed to take approximately 20 minutes to complete. Respondents could complete the survey in either English or Spanish and were given a $20 e-gift card as a thank-you for participating. The survey asked respondents about center staffing, perceptions of the ECE compensation program's new structure, and perspectives on their role as a center director. In analyzing survey responses, we developed survey weights to account for survey nonresponse and to adjust estimates to better reflect the population of DC child care centers. Additional information about the survey constructs, sampling techniques, and sample representativeness can be found in the study's technical report.[c]

Center Director Interviews

In winter 2024–25, we followed up with 20 center directors from child development centers who had previously completed the survey. The interviews were designed to build on learnings from the survey and provide a deeper understanding of center directors' experiences with the FY 2024 payment structure and their perspectives on the future of the ECE compensation program. During the interviews, we asked directors about their decision to participate in the program and the benefits and challenges they encountered during early implementation. We also asked what they thought about the revenue stream structure's impact on staff recruitment, retention, morale, and center quality, as well as implications for center operations and budgeting.

We conducted virtual interviews via Zoom in both English and Spanish to accommodate participants' language preferences. All interviews were facilitated by trained researchers and lasted approximately 45–60 minutes. Participating center directors received a $60 e-gift card as a thank-you. We audio-recorded the interviews with permission, fully transcribed the responses, and then analyzed them using NVivo software. We used a thematic coding approach to identify key themes and insights that aligned with each research topic.

The center directors operated across all eight DC wards, representing a range of center sizes and varying levels of subsidy program participation—from centers that did not accept subsidies to centers serving predominantly or only children receiving subsidies at the time of the interview. Additional details on the sample are available in appendix A of this report.

Notes:
[a] Office of the State Superintendent of Education (OSSE), "Early Childhood Educator Pay Equity Fund: Fiscal Year 2025 (FY25) Quarter 3 (Q3) Data Summary" (Washington, DC: OSSE, 2025), https://osse.dc.gov/sites/default/files/dc/sites/osse/page_content/attachments/FY25%20Q3%20Data%20Slides%20%281%29.pdf.
[b] Authors' analyses of July 2025 public licensing data published by OSSE, available at https://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/July%202025%20Child%20Development%20Facility%20Listing%208-5-2025.pdf.
[C] Justin B. Doromal, Elli Nikolopoulos, Eve Mefferd, Erica Greenberg, Heather Sandstrom, Rachel Lamb, Alicia Gonzalez, and Timothy Triplett, *Studying Wage Enhancements to Increase Early Childhood Educator Pay in DC: Technical Documentation for Year 2 Data Collection and Analysis* (Washington, DC: Urban Institute, 2025), https://www.urban.org/research/publication/studying-dcs-early-childhood-educator-compensation-program-technical.

Findings

Across surveys and interviews, child care center directors shared their perspectives on their motivations for participating in the new revenue stream model, the successes they experienced, and the challenges they faced during the model's implementation. Their accounts highlighted the program's potential to strengthen recruitment, retention, and quality of care by raising educator pay, while also revealing areas where processes, communication, and funding structures could be improved, as well as several unintended consequences. Taken together, these findings provide a detailed examination of both the benefits and operational complexities of implementing wage enhancements in child care centers.

What Motivated Center Directors to Participate in the New Revenue Stream Model?

Staff recruitment and retention emerged as the primary motivations for participation in the new revenue stream model. Most directors interviewed described competitive pay as essential for attracting and retaining qualified educators. They believe the wage enhancement helped to stabilize providers, improve quality of care, and recognize the value of educators' work. Several also noted that the program's funding enabled them to raise wages, making their centers more attractive to educators beginning their careers in DC child care or seeking new positions (Doromal et al. 2025b).

Participation Is Essential for Hiring Qualified Staff in a Competitive Market

Many directors shared that participating in the new revenue stream model was not a difficult decision; it was necessary to compete in DC's market for early educators. Many felt that opting out would leave them unable to hire qualified staff, especially given the program's high profile among educators in the area seeking work. They described the decision as a "no-brainer," noting that not participating would threaten their competitive edge. As one director shared:

> *"To us, there wasn't any thought that we wouldn't ever participate, only because we knew that it would put us at a huge disadvantage not to participate. If other centers were participating, it would be very difficult to hire without this. It never was a question of do we or don't we."*

These perceptions demonstrate the importance of DC's ECE compensation program for child care staffing—both in its original direct payment format and after the transition to a revenue stream model for child development providers (Nikolopoulos et al. 2024, 2025). Under the FY 2023 supplemental direct payments, directors experienced improvements in recruitment and hiring. One analysis suggests that during the period in which early educators received direct pay supplements (FY 2022 and 2023), the ECE compensation program increased the size of the early educator workforce in DC by 7 percent compared to the estimated levels that would have been expected without the program (Schochet and Jones 2024). This pattern mirrored directors' own experiences of being able to recruit more educators as a result of the ECE compensation program (Nikolopoulos et al. 2024, 2025). Positive experiences with direct payments encouraged directors to participate in the ECE compensation program once it shifted to a new revenue stream model with a minimum salary scale.

The new revenue stream also bolstered recruitment of educators previously employed outside DC. According to some directors, higher salaries attracted highly qualified educators from neighboring Maryland and Virginia, who saw DC's wage levels as worth the commute. As one director described:

> *"People were coming from Maryland … from Virginia…. They were coming into the District now because the District was paying higher salaries. You were able to attract better-qualified staff for those positions."*

Program Offered a Way to Retain Good Teachers

Directors were equally motivated by the potential to keep the educators they employed. In interviews, most directors described the high turnover that occurred before the initiative, with staff leaving mid-year, classrooms in flux, and children struggling due to a lack of consistent caregivers. For many, the ECE compensation program offered an opportunity to mitigate the high turnover of classroom teachers. These perspectives align with recent analyses of workforce data, which show that participation in the program was associated with lower turnover rates across subsidy-participating child care centers (Doromal et al. 2025b). As one director explained:

> *"Many of the teachers are leaving, right? There is no stability [for] the children…. How can we prevent it? By looking for the best sources of income to maintain stability. Seeing this opportunity, which I believe was great, I said, 'We have to do it.'"*

Many directors recognized that without competitive wages, they risked losing their highly qualified and most experienced teachers to centers that could offer higher salaries, either through the new revenue stream or other means. One director underscored their specific interest in retaining experienced educators:

> *"Employees are gonna go find a company that is participating…. It's not just about losing the teachers that do their jobs and do all the things, but the tenured teachers, the experienced teachers. And if the option is between investing in our educators or losing all of our educators in a very large, quantifiable manner, it's really a no-brainer."*

The urgency of retention was heightened by the broader realities of living and working in DC. The city's high cost of living, particularly housing, necessitates that early educators receive competitive pay. Essential workers, including early educators, are being priced out of the city due to the lack of affordable housing and their relatively low wages. In 2023, 41 percent of DC's early educators lived outside the city (Sayin and Calma 2024). Without salaries that reflect these pressures, directors feared losing staff not only to other centers but to entirely different fields. As one center director remarked:

"We're talking about a city that has the highest cost of child care.... How does that not equate [to] the highest pay of child care [educators]?"

Paying Teachers a Fair Wage Was Seen as a Way to Improve Quality of Care

Beyond overall recruitment and retention, some directors viewed their decision to participate in the new revenue stream model as a lever for improving or maintaining the quality of care in their centers. Their reflections highlight some benefits they noticed from earlier phases of program implementation that they wanted to preserve, specifically in staff recruitment and in supporting motivated staff to pursue further education and professional development, such as credentials, degrees, or specialized training (Doromal et al. 2025a; Nikolopoulos et al. 2025). Higher wages, they explained, not only attracted more qualified candidates but also gave current staff the economic security and motivation to pursue professional development opportunities, which in turn fostered greater professionalism. One director noted an improvement in the quality of instruction as a result of the new revenue stream, suggesting that the increased wages improved the quality of instruction among their existing educators:

"It is not just about coming in to get a paycheck, right? It is about what you are going to contribute as a teacher.... The quality is noticeable. The difference is completely visible in the level of language, in how they speak with parents, in how they can express themselves. They no longer just say, 'He runs'; instead, they say, 'The child is developing gross motor skills.' So, that is a difference in the level of quality as a teacher."

According to directors in the interviews, the new revenue stream has helped centers ensure consistency and continuity of high-quality care for children. A few directors emphasized the importance of stable teacher-child relationships for children's emotional and cognitive development. One director noted the impact of stability on the experiences of children in their care:

"If you have a teacher that's staying throughout the year ... the kids build a connection, so your children are happier. It's consistency."

Center directors reported that the increased pay and professional development opportunities have led to a more qualified educator workforce, directly benefiting children's development and education. In their view, these improvements have a direct impact on children's experiences, particularly given the length of time many children spend in care while their parents work or attend school. As another director noted:

"Just being able to have more higher-quality teachers just makes a world of a difference to the children. They're here anywhere from 6 to 11 hours a day. The teachers that they're interacting with every day really impact their development."

Participation Helped Recognize Educator Value

Finally, for some directors, the decision to participate was driven by their commitment to recognize and compensate educators for the value of their professional work. Directors noted that expectations and demands for early childhood educators have grown in recent years, including more documentation, assessments, and individualized planning, as well as increasing credential and professional development requirements. Yet, these heightened expectations have not come with matching pay increases. As one director said:

> *"I was all for it. I'm on board for them to get the salaries that they're worth. Instead of them making minimum, they should be rewarded."*

In many cases, centers could not afford such wage increases on their own with only their revenue. Participation in the new revenue stream allowed them to offer salaries they believed educators "truly deserved." According to one director:

> *"It was going to be an incentive to them, which was well deserved by them, because we as an organization could not afford to pay them the salaries that—we were on the lower scale in terms of paying them what they truly deserved to get."*

Several directors also emphasized the issue of DC Public School educators earning much higher pay than child care educators with similar education and credentials. Directors in interviews argued that compensation should reflect the critical role these educators play in laying the foundation for children's later success. One director pointed out:

> *"Salaries were so different when the most important stage is childhood. If you do not develop language skills in children, comprehension, the ability to follow directions—how will they learn in pre-K? How will they develop in middle school, in high school, in elementary school, if they do not have a solid foundation?"*

Director surveys indicate that the new revenue stream structure may address these differences better than the program's prior model. Almost half (49 percent) believed that the new revenue stream structure better meets the goal of achieving pay parity, compared with 34 percent who believed that direct supplemental payments better contributed to this goal.

In sum, many of the motivations for participating in the new revenue stream model were shaped by child care providers' experiences with the FY 2022 and 2023 iterations of the program, in which OSSE distributed payments directly to educators via an intermediary (Nikolopoulos et al. 2024). Directors recognized the benefits in staff recruitment, retention, and quality of care, and felt confident that they would gain similar benefits under the new structure. At the same time, several expressed concerns about what might happen to staffing and center program quality if they missed the opportunity to participate. Indeed, directors' reasons for participating in the new revenue stream closely mirrored the programs' past reported benefits (Doromal et al. 2025a; Nikolopoulos et al. 2025), suggesting that, for most centers, expectations were largely met.

What Do Directors View as Successes in the Implementation of the New Revenue Stream Model?

Directors described a wide range of successes resulting from the new revenue stream model, noting both tangible financial benefits for staff and operational advantages for centers. Their experiences included increasing educator pay, flexibly using additional funds to support center staff, and managing costs without raising tuition. In addition, directors leveraged resources to implement the new revenue stream despite tight budgets and navigated the process with financial and social support from OSSE and partner organizations.

Flexibility in Operational Funding

Directors consistently emphasized that the new revenue stream gave them room to make financial decisions tailored to their center's needs. For many, this flexibility started with educator pay, but it also extended to how they supported noneducator staff, managed tuition, and balanced overall budgets.

Raising pay beyond minimum levels. Many center directors emphasized that the program's most immediate and visible success was boosting educator compensation. For most, the primary use of the new revenue stream was to meet the minimum salary thresholds required by the program. As one director explained:

> *"Obviously, paying the educators the minimum salary requirements was first and foremost."*

A few directors reported significant increases in educator pay as a result of the new revenue stream, with some roles receiving nearly double their previous salaries. For example, some teachers who earned around $35,000 prior to the program could see an increase to almost $70,000 with the ECE compensation. Other directors noted smaller increases, as some educators were already earning above the threshold, especially those with degrees.

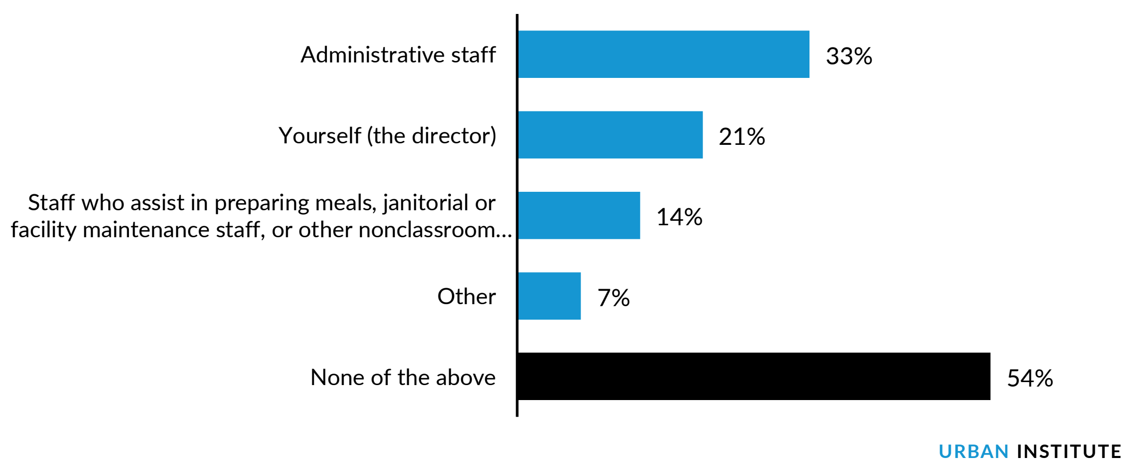
A few directors stated that they went beyond the required minimum, raising salaries further for educators with greater experience or credentials. This, they felt, recognized and rewarded staff loyalty and expertise. One director said:

> *"We looked at the requirements to meet the categories that they fell in and looked at some of the teachers that had a CDA with 10 years or looked at that to weigh the options…. We maybe had three that we had to do some seniority on. It was helpful with the [new revenue stream] money."*

Raising pay for noneducator roles. The program's new structure gave child care providers flexibility in determining how to allocate their funding, including the option to raise pay for noneducator staff as long as they met the minimum salary requirements for educators. In these cases, the funds were used to boost pay for administrative or other nonteaching staff, reflecting the additional work required to implement the new revenue stream or address existing pay disparities across roles. Survey data illustrates the program's success in boosting pay not only for educators but also for other center staff. According to a fall 2024 survey of directors, 46 percent were able to raise compensation for noneducator roles, primarily for administrative staff (figure 1). These patterns align with broader lessons from wage boost initiatives showing that flexible allocation of funds can support both operational stability and equitable compensation for all early childhood staff (Doromal and Greenberg 2025).

FIGURE 1

Survey Reports of Noneducator Roles Whose Compensation Directors Were Able to Increase as a Result of the ECE Compensation Program Participation



Source: Urban Institute's web survey of DC child development center directors from September to October 2024.
Notes: Based on 86 observations of center directors whose centers participated in the FY 2024 ECE compensation program. Survey weights were implemented to represent all DC child development centers. Response options other than "none of the above" were nonexclusive. ECE = early childhood educator.

More affordable care for families in light of rising costs. Another reported success was the new revenue stream model's role in helping centers manage child care costs for families. Some directors indicated that the additional funding allowed them to entirely avoid tuition increases that would otherwise have been necessary to cover rising costs. In these cases, the new revenue stream provided more than enough funds to meet minimum wage requirements, giving directors flexibility to allocate resources not only to raise educator pay beyond minimums or support other staff, but also to maintain tuition at affordable levels and cover other center expenses. Other directors reported that while tuition increases were unavoidable due to inflation and rising costs, the new revenue stream helped them keep those increases smaller than they would have been without the wage enhancement. Directors emphasized that controlling tuition costs was crucial for maintaining enrollment and supporting families, particularly given that higher tuition can create a ripple effect: reducing affordability for families, lowering enrollment, and ultimately affecting staff stability. As one director described:

> *"If not for the [new revenue stream], then we need to increase tuition. Tuition means we might not have as many families enroll. It has that total effect on families, tuition, benefits for the staff. It's a never-ending cycle."*

In some cases, directors were able to go beyond simply avoiding increases and actually lower costs for families. In our fall 2024 survey, 16 percent of directors who responded credited the new revenue stream with allowing them to reduce tuition costs for families.

Use of waivers to meet center directors' financial realities. In FY 2024, OSSE offered 12-month waivers from the new revenue streams' minimum salary requirements in recognition that some providers could not meet the salary thresholds without operating at a budget deficit. According to OSSE public records, 43 providers received a waiver, representing 12 percent of those participating in the new revenue stream model.[2] These waivers demonstrated a responsive policy pivot, allowing centers to participate in the program and pay staff as much as possible while maintaining financial stability.

In our interviews, eight center directors (40 percent) reported having applied for a waiver. Most directors using the waiver shared that they could not have met the new revenue streams' minimum salary requirements without this additional support. Some also stressed that if OSSE stops offering waivers in the future, they would be unable to meet the salary thresholds without additional funding (OSSE allowed providers to reapply for waivers in FY 2025). Two of the directors who had waivers shared that the process of applying for and using the waiver was relatively easy. In particular, they appreciated that there were different pathways or options for satisfying documentation requirements.

Directors cited a variety of reasons for needing waivers, reflecting the range of financial and operational challenges they face. They described difficulty meeting the required salaries because of unexpected costs during the financial year or low enrollment that limited the center's revenue. One director noted that their priority of maintaining low student-to-teacher ratios and ensuring staff had good work-life balance increased costs

> *"That's a complicated scenario, too. We're small. I like to have a three-to-one ratio. I like to have a nice quality-of-life balance for my staff. They've always known because—I've always paid a little bit lower than other people in order to be able to do that."*

Finally, one director highlighted the financial constraints imposed by serving families primarily reliant on subsidies, which limited their ability to raise tuition to cover higher salaries:

> *"What other supplement are you getting to be able to afford higher salaries so that when you do get your [money], you're on the minimum salary? That's something … because at our center, the majority is subsidy. Once we get an amount from OSSE, we don't really have any leeway to charge anymore."*

Ease Navigating Administrative Processes and Resources

Directors also welcomed the shift in payment structure from direct payments to educators to a revenue stream disbursed through employers via payroll. Several center directors appreciated the direct deposit system that transfers funds into their centers' operating accounts, noting that the administrative process was not burdensome or less burdensome than anticipated. Their ability to manage the workload associated with applying for and receiving the new revenue stream appeared to depend heavily on the size of the center and resources available to them, such as support staff or accounting teams. Centers with more infrastructure and administrative capacity, including those that are a part of chains, franchises, or umbrella organizations, appeared to have had an easier time with various parts of the process. As one director said:

> *"We were thinking briefly about the administrative portion of it. There was even an administrative burden added to the formula, so we were wondering, okay, how much, [where] would we take it from? As the executive director and the assistant director, would we have more paperwork to do?... We were quite curious, but honestly, it was not a lot."*

A component of the new structure included an administrative enhancement to help providers cover increased administrative costs that arise from providing higher wages to their early childhood educators, such as payroll taxes. Some directors reported that the administrative enhancement was helpful in offsetting increased operational and administrative costs associated with participation. These funds were used flexibly to support various aspects of center operations, including administrative overhead, payroll taxes, resources for children, and supplementary staff compensation. Directors appreciated the ability to use these funds to stabilize their centers and ensure continuity in day-to-day operations. As one director noted:

> *"The administrative addition just went to administrative costs and keeping us in business and paying the extra taxes and all the other things that we needed."*

In some cases, directors used a portion of the enhancement to provide materials and resources for children, particularly in programs serving families with low incomes, such as diapers, wipes, formula, bottles, books, and art supplies. The flexibility of the administrative funds allowed centers to address pressing operational needs beyond wages alone.

Clearer Tax Implications

Under the previous direct supplemental payment model, some educators who received funds directly faced unexpected taxes during tax season, creating financial stress. Educators reported confusion about the taxable nature of the payments and uncertainty about how much to set aside for taxes. Some received incorrect tax forms, requiring them to refile and pay additional amounts, which could be substantial. One assistant teacher noted having to estimate and set aside portions of their payment, while others reported owing nearly $3,000 due to initial miscalculations (Greenberg et al. 2023; Mefferd et al. 2024).

With the new revenue stream structure, employers (i.e., child care providers) who receive funds and use them to increase staff pay are responsible for withholding applicable taxes from employees' paychecks. This removes the burden of tax compliance from the employee, reducing the risk of surprise bills and simplifying financial planning for staff. Directors observed that this change made the payments easier to manage and less stressful for educators. As one director explained:

> *"The first year when teachers got it directly, they had a hard time during tax season. They had to pay a lot back, whereas now, it's getting taken out of their taxes. I think there might be some that might not get much back or might have to pay a little bit, but that was something that was helpful when the institution got it versus when they would get it [sent] directly to them."*

Support from OSSE and Partner Organizations

Several directors reported that communication with OSSE and other partner organizations was crucial in resolving issues related to the new revenue stream. A couple of directors noted that OSSE staff demonstrated understanding of the financial and operational realities of small centers and home-based providers. OSSE staff provided hands-on guidance for navigating technical or administrative challenges, offering step-by-step support when needed. As one director described:

> *"I think it was incredibly gracious and understanding of the [OSSE staff] to know the reality of [our] finances. I really felt like they know how these small businesses and home day cares and stuff do their books.... I feel like that reality was understood."*

Some directors explained situations where OSSE staff spent hours walking them through complex processes, helping them resolve technical issues, clarify reporting requirements, and complete submissions accurately. This personalized assistance was especially valuable for smaller centers with limited administrative resources, helping them avoid errors and delays.

Beyond OSSE, directors highlighted the importance of peer networks and community-based organizations in supporting the implementation of the new revenue stream model. Organizations such as the DC Director's Exchange, the DC Early Learning Collaborative, DC Action for Children, and the Multicultural Spanish Speaking Providers Association (MSSPA), as well as individually assigned mentors, provided ongoing guidance, shared best practices, and offered practical solutions for common challenges. One director explained how personalized mentoring helped them stay organized and meet the requirements of the new revenue stream:

> *"I had an individual mentor. When you first started, because you were so busy,... you talked with them every week.... They came personally to meet you, so they would know who to connect you with as a facilitator and a mentor—beautiful, beautiful person.... She helped me be organized and complete work in a timely manner for OSSE, for things that I needed to get in that they were requiring."*

Some directors also benefited from more informal supports from their peers. One director noted that someone emailed them a spreadsheet template to help them calculate what funds they could expect to receive. While they did not remember which individual or group had shared this, they said they found it very helpful:

> *"I'm not sure of the group that provided the template for how-to. It had the adjustment. It had the administrative enhancement. Just they made a Google sheet. It [helped] calculate the funds. I don't remember who did that.... They did it again this year, as well. That was super-duper helpful. That was really helpful."*

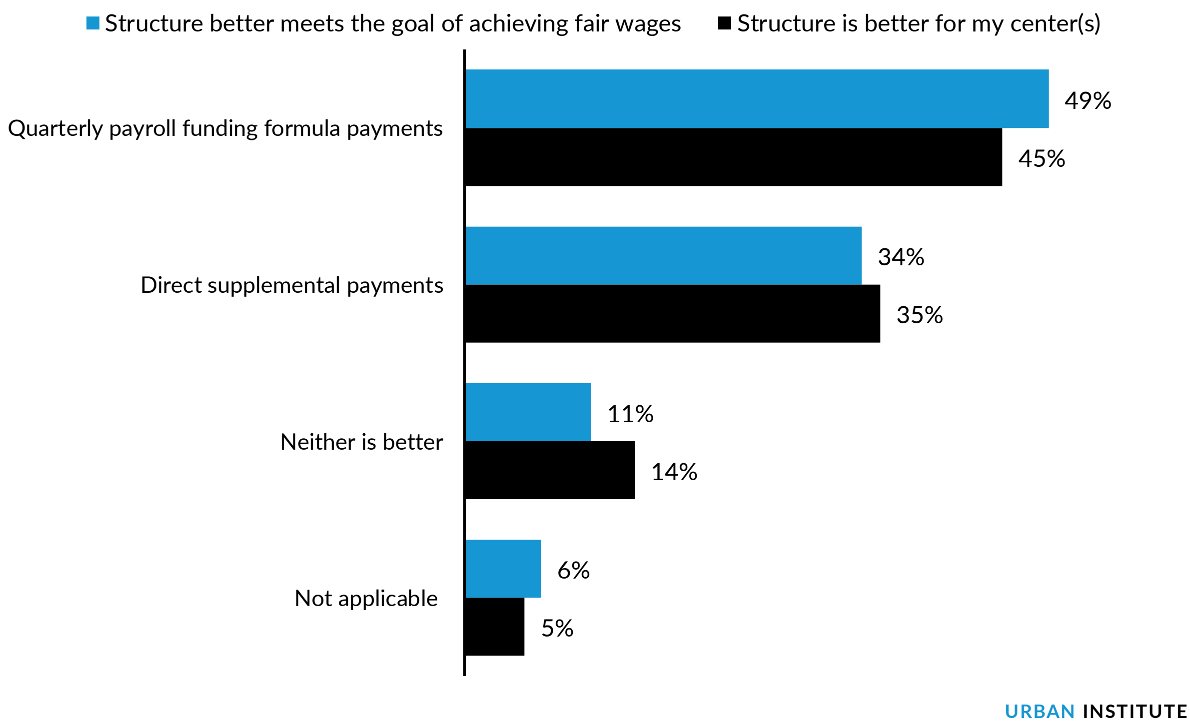
Overall, directors emphasized that these supports—provided by OSSE staff, peer networks, and community organizations—were instrumental in enabling the smooth implementation of the new structure. They helped center directors navigate the new administrative and technical requirements and successfully manage the new revenue stream model.

Preference for the New Revenue Stream Model

The directors surveyed generally expressed a preference for the new revenue stream model over the structure implemented in FY 2022–23 (figure 2). Just under half of respondents reported that the new model better meets the goal of achieving fair wages (49 percent) and is better for their centers (45 percent). Under the new revenue stream, the ECE compensation program appears to be achieving its overall goal while also improving center directors' experiences with the program.

FIGURE 2

Survey Respondents' Views of Payment Structures



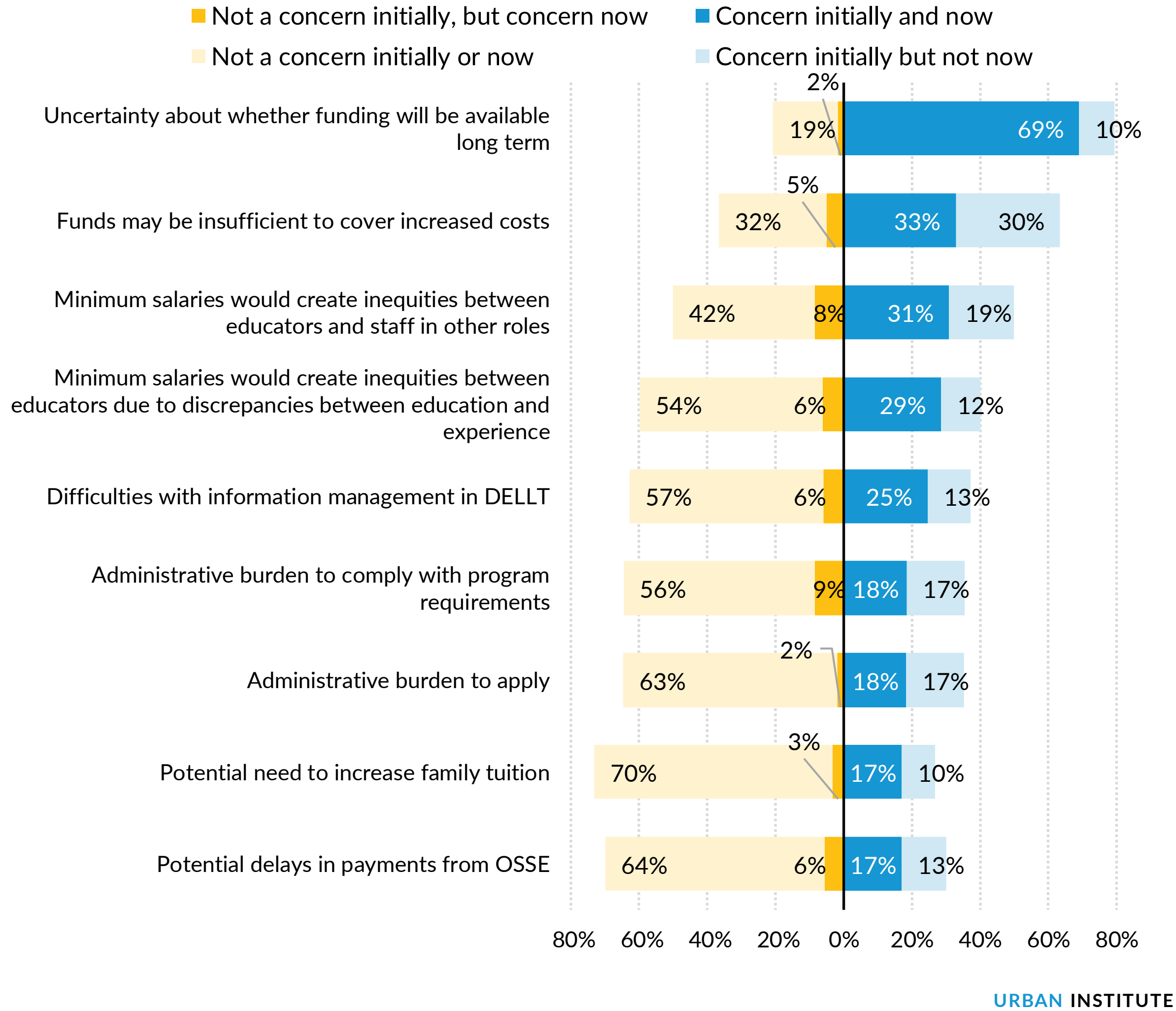
Source: Urban Institute's web survey of DC child development center directors from September to October 2024.
Notes: Based on 87 observations of center directors whose centers participated in the FY 2024 ECE compensation program. Survey weights were implemented to represent all DC child development centers.

Reduced Concerns with the New Revenue Stream

Survey data indicate that many directors' initial concerns eased after experiencing the implementation of the new revenue stream model (figure 3). When asked to reflect on concerns that emerged while considering participating in the new revenue stream, directors selected an average of 4.04 concerns out of the 9 possible concerns presented in the survey question. These included concerns that funding would not cover increased salary costs, administrative burden to apply for or participate in the program would be substantial, there would be delays in receiving funding, and the funding would not be available long term. This list of possible concerns was developed from write-in responses to our fall 2023 survey. After one year of experience with the new revenue stream, the average number of lasting concerns dropped to an average of 3.24 ($p < 0.001$). Moreover, for each specific concern, more directors reported an alleviation of their initial concern (pale blue in figure 3) than an emergence of a previously unanticipated concern (deep gold in figure 3). Only the uncertainty of long-term funding persisted as a concern for the majority of respondents.

FIGURE 3

Share of Survey Respondents Who Identified Each Concern Before Participating in the ECE Compensation Program and After Experiencing Implementation



Source: Urban Institute's web survey of DC child development center directors from September to October 2024.
Notes: Based on 86 observations of center directors whose centers participated in the FY 2024 ECE compensation program. Survey weights were implemented to represent all DC child development centers. Survey questions were: "What, if any, concerns did you or the leadership for your center(s) have when considering whether or not to participate in the FY ECE compensation program?" and "Now that your facility is receiving funds through the FY 2024 ECE compensation program, what, if any, concerns do you still have?" Respondents could select from the nine concerns listed—identified based on previous surveys and focus groups—and an "other" option, which is not shown. Figure presents share of individual respondents who selected each concern across both questions. DELLT = Division of Early Learning Licensing Tool, the system used to register providers and verify educator qualifications. ECE = early childhood educator.

In all, findings indicate that although there was some apprehension for many providers, successful implementation and relatively smooth provider experiences over the course of FY 2024 alleviated their concerns about the new revenue stream model. While concerns and challenges remain—and, for some directors, new concerns emerged—they declined substantially, in some cases by almost half, compared with before implementation. Directors largely perceived the new revenue stream as both beneficial and increasingly manageable over time.

What Do Directors View as Challenges in the Implementation of the New Revenue Stream Model?

The ECE compensation program successfully disbursed funds to hundreds of licensed child development facilities in FY 2024. Directors' experiences with implementation of the new revenue stream model varied. Some reported overall ease in navigating the application and payment systems and appreciated the clarity of new salary requirements, while others found these same features burdensome or confusing. For some, balancing the demands of the new revenue stream model with other operational responsibilities was manageable, while others viewed it as a significant challenge.

Adjusting to the New Revenue Stream Model

Some of the implementation challenges directors faced involved adapting to and understanding the new revenue stream model. Concerns included eligibility and payment amounts, directors' role in distributing funds, and timelines for receiving the funds.

Confusion about eligibility, roles, and payment amounts. Directors felt these details were not always communicated clearly, and some directors we interviewed did not appear to be aware of the policies and guidance at all. This lack of clarity led to confusion and anxiety during implementation. Directors valued clear, consistent, and proactive communication, which they felt could help address some of the issues they faced. Some expressed confusion or a lack of clarity about who qualified for the ECE compensation, specifically which educators were eligible for which roles or levels on the pay scale, and how much each would be paid. Several did not know how much to expect from the new revenue stream until they received the funds. One director noted that the calculations were "complicated in terms of the sums, the deductions, and how to handle the credentials," requiring someone with expertise to interpret the rules.

A few directors reported that the payments to the centers were received retrospectively (e.g., first-quarter payments arriving at the start of the second quarter), so they were sometimes unsure if they were paying staff too much or too little in a given quarter. Some felt financial strain from having to pay staff at a higher rate before receiving the reimbursement or even knowing their assigned qualification band. One director also raised questions about pay for staff who enter or leave in the middle of a quarter, whether they would receive the full amount, a partial amount, or nothing at all for those staff. The director was particularly concerned with adhering to legal requirements for disbursing the money amid this uncertainty:

> *"Then what happens if someone's hired in the middle of a quarter? Do they get all the money? Do they not get any of the money? If they left, do they get the money? It's just it—it's at every turn. I'm like, someone's gonna sue us for this money."*

It is important to note that ECE compensation program administrators clarified two key points: providers are not required to pay staff at the higher rate until the second quarter to account for any delays in payments, and providers will receive the full amount for an educator even if that educator leaves midway through the quarter.

"Middleman" role concerns. A few center directors shared concerns about their role as a "middleman" in distributing the new revenue stream funds through educators' paychecks. They felt responsible for meeting the salary minimums and disbursing the funds to staff, but also felt they had limited control, as OSSE decided the payment amounts and provided the funds. They described how this structure put them in a challenging place if there were issues with the payment amounts or if the program were cut. They did not want staff to blame them for issues outside their control and potentially resign because of it. As one director stated:

> *"It makes it a little bit more difficult coming from the program head to say, 'Okay, you meet this tier until you're only guaranteed this much, and then your minimum salary only has to be this much.' So just the transparency and the trust factor there, I think, with creating the center as the middleman, in a sense, has created a challenge."*

Several directors mentioned increased stress levels due to the administrative burden and financial strains associated with adapting to the new payroll structure, as well as ongoing concerns about the program's future. A few directors argued that the burden of managing the funds should have remained with OSSE rather than being placed on the centers.

To avoid concerns about being blamed by staff if the ECE compensation program were to stop, a few directors took the approach of separating the base wages from the new revenue stream in their financial accounting and in educators' paychecks. They felt this approach helped emphasize the distinction between the two. However, this created an issue for one center director, who was found to be out of compliance despite being initially told that her approach was acceptable:

> *"We contracted teachers at their contracted rate that we agreed to pay them from our budget, and then the remaining portion came from the DC [new revenue stream].... We created separate statements, kind of like a separate contract to show our staff what they would be getting in addition to their contracted pay, because, at the end of the day, if [the program] stops, we can't be on the hook for that minimum salary."*

While some educators have expressed concerns in past focus groups about distrust of employers and possible wage theft (see Mefferd et al. 2024), the directors we interviewed did not describe their practices in those terms; rather, they emphasized a desire to protect their centers from financial risk if the program were to end.

Difficulties with Application and Payment Systems

The process of applying for and receiving payments was challenging for some center directors. Most frequently, they reported concerns about administrative burden and challenges working with the District Integrated Financial System (DIFS), the District's portal for processing financial transactions; and the Division of Early Learning Licensing Tool (DELLT), the system used to register providers and verify educator qualifications. Many were able to receive support to resolve these issues, but they also offered recommendations for better communication from program administrators.

Administrative burden. Directors most frequently cited administrative burden—or the time, effort, resources, and other costs associated with complying with a policy—as a common challenge, both before and after DC implemented the new revenue stream model. The application process involved compiling tax information, registering non-subsidy-participating child development providers with DIFS, and updating educator information in DELLT, and completing a provider agreement once the initial application has been processed.[3] Directors' concerns were often linked to the amount of paperwork required and the perceived complexity of the payment formula. One director noted:

> *"The main challenge was the distribution of the [funds]. The formula was confusing. The extra added work that we as directors and owners had to put in in order to participate in this. It's almost like we don't own our own businesses or don't work for our own businesses. It's almost like we now work for OSSE in order to do all of this stuff."*

A few directors felt that the new revenue stream added burden and uncertainty for center directors without providing sufficient support. This was particularly challenging for centers for which it was not immediately clear if educators met OSSE's education and credential requirements, or there was a large gap between educator salaries and new salary minimums for the initiative. According to one director:

> *"It was tedious. It was frustrating because there wasn't clear direction. They just basically said, 'We're switching it over to the businesses. This is the pot of money that we're giving … you. Make it work.' They never asked us how much an employee was making so that we can figure this out. Where I think a part of the problem is that they didn't make it easy for us."*

Several directors shared that although the steps to apply for the new revenue stream model were relatively easy, the overall process was time-consuming and difficult to manage alongside other responsibilities, such as the subsidy program, Capital Quality (the District's quality rating and improvement system), or licensing. As one director noted:

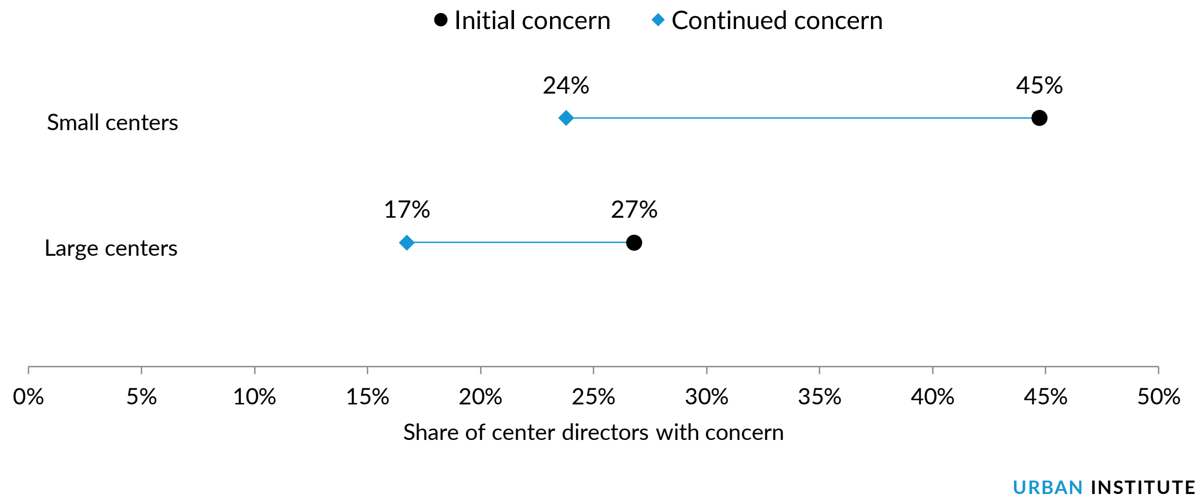
> *"It was just a whole mess, and it was super frustrating. [The new revenue stream] took up a ton of time.... I just kept saying, 'It's worth it for [my staff].' It was worth it, but it was a headache. It was a headache, and it still is. It still takes up more time than I wish that it did."*

Similar patterns appeared in the center director survey: 35 percent reported initial concerns about the administrative burden of applying for the new revenue stream or complying with its requirements. When asked about concerns and challenges that have persisted even after receiving funding for all of FY 2024, directors of smaller centers—those licensed to serve 52 children or fewer, the median for the District—were somewhat more likely to report concerns about the administrative burden to apply for funding the following year than larger centers (24 percent versus 17 percent; figure 4). Because smaller centers may not have personnel dedicated to managing these financial and technical processes, these providers reported more difficulty managing the application.

Although many directors spoke about this in interviews, survey data appear to suggest that administrative burden was more an early apprehension rather than a concern the majority of directors continued to hold (figure 4). Regardless of their center's size, directors were more likely to report administrative burden as an initial concern than a persistent one, indicating the application process was less burdensome than providers initially thought it would be.

FIGURE 4

Share of Survey Respondents Reporting Concerns with Administrative Burden to Apply for the ECE Compensation Program Funding Before and After Experiencing Implementation, by Size of Center



Source: Urban Institute's web survey of DC child development center directors from September to October 2024.
Notes: Based on 86 observations of center directors whose centers participated in the FY 2024 ECE compensation program. Survey weights were implemented to represent all DC child development centers. Center size was determined by centers' licensed capacity relative to the median of all centers, which is 52 slots. ECE = early childhood educator.

Challenges with DIFS registration. One challenge several educators discussed was the process of registering with DIFS. In DC, DIFS is the financial system associated with payments for the state's publicly funded programs, including the ECE compensation program and child care subsidies. The DIFS system was introduced in FY 2023, and ECE compensation program administrators noted this was a challenging shift for many providers. However, by the time providers could apply for the new revenue stream in FY 2024, providers participating in the child care subsidy system were already registered with DIFS, and therefore rarely reported DIFS-related challenges.

In contrast, several center directors registering with DIFS for the first time reported confusion and technical difficulties. Those who faced challenges with DIFS identified it as a serious issue that could have prevented them from participating in the new revenue stream model. Some felt the instructions were unclear, and they could not access sufficient support. One director said:

> *"[DIFS was] a nightmare, and it was terrible. I had no idea what I was doing. The information that OSSE sent was completely unclear and contradictory. I would do one thing, and then they were like, 'No, that's the wrong thing' or 'You have to go back in and—.' I consider myself fairly educated, and I could follow directions. I imagine that other centers probably just gave up, because it was frustrating, and there was really no support for it."*

Even when providers were ultimately successful, the process could require a significant investment of time. One director described spending an entire day on the phone with DIFS before getting the help they needed:

> *"It took us literally an entire day. The other director and I were on the phone with someone at DIFS all day.... We tried to do it ourselves. We kept getting error messages. We called in, and this individual answered, so we got on a Zoom, and he walked us through. He was super helpful. It was so long and frustrating."*

Challenges with DELLT. Similar to concerns about DIFS, some providers reported challenges updating educator information in DELLT, the licensing system where staff records are stored. However, unlike DIFS, all licensed centers engage with DELLT outside the ECE compensation program. Challenges with DELLT usually involved a mismatch between the way educators were categorized in the system and the actual credentials they had, or technological glitches. Because payment amounts and minimum salaries were determined in part based on information in DELLT, errors could lead to incorrect funding allocations. At the time of the survey, 30 percent of center directors expressed concerns about difficulties with information management in DELTT. One director shared:

> *"[An educator] has a bachelor's degree. For whatever reason, he was still coming up in our system as having a CDA.... I remember there was a two-week period where I was writing back and forth to [OSSE's ECE compensation email]."*

Many of the concerns with DELLT were specifically about technical issues. ECE compensation program administrators noted that DELLT is intentionally closed for updates when the final data is pulled to preserve data quality, which may be what directors are encountering when the system is "down." But providers are notified in advance of these regular, planned closures. According to one director:

> *"It's constantly difficult to update things in DELLT. You can't.... It sucks because you can't see what has been uploaded previously.... I feel like all we do is upload the same thing over and over and over again. DELLT is—it's slow. Sometimes it's down, sometimes it's up, sometimes it's up and you put stuff in, and we don't know if it goes or not. It's also not intuitive."*

A couple of directors expressed frustration that updates in DELLT, which would grant them additional funds, took a long time to be properly recorded or reflected in payments. One director pointed out:

> *"One thing I noticed was when a teacher has left, they're immediately taken off the Pay Equity statement. But, you know, when we add a new person, somehow it takes a quarter or two to get them in."*

Waiver Process Challenges

The center directors we interviewed expressed a variety of experiences with the waiver for salary minimums. We heard from several directors who stated they had not applied for the waiver, as well as several who were already using it. Two said they had the waiver but were not using it since they were paying at least the minimum salaries. One center director reported that they applied for the waiver but had never heard back and did not receive it. Another was unsure if their center had applied for or received a waiver.

Of the directors with waivers who participated in interviews, half were from relatively small centers with licensed capacity between 20 and 35 children that did not accept subsidies. The other half were from larger centers, with licensed capacity between 95 and 105 children that did accept subsidies. None were part of regional or national chains.

While some directors characterized the waiver application experience as very easy, several shared confusion about what the waivers were, the process for applying for the waiver, the eligibility requirements for receiving a waiver, or other communication or information challenges. In the survey, 20 percent of center directors did not know whether their center had an approved waiver. One director said:

> *"Maybe I read it wrong. If you applied for a waiver, you also had to be a center that provided subsidies or got a subsidy, and we don't."*

As the statement above shows, some directors were confused about eligibility requirements for the waiver. Centers did not have to participate in the subsidy system to qualify for the waiver. Additionally, there was confusion between the minimum salary waiver and a different waiver for licensing credentials. One directed stated:

> *"The waiver information that was sent to [my center] and to a couple of other organizations, we found out later on was all the wrong waivers. The waivers that were sent had to do with educational waivers and not [the ECE compensation program] waivers. I'd done about nine waivers for different employees and did not hear back to this day about any of them. They're in the void somewhere."*

It is unclear whether the problem stated above was caused by the director's misunderstanding or an administrative error. However, the confusion about waivers is likely because both types of waivers are colloquially referred to simply as "waivers." Additionally, the confusion was possibly exacerbated by concurrent changes OSSE made to licensing regulations in December 2023 that affected staff waiver and certification processes, which caused issues for some directors. While these timing gaps created challenges for a few programs, licensing waivers or certifications generally did not affect new revenue stream funding.

Timing, Payment Accuracy, and Cash Flow Challenges

One common theme we heard from center directors is that they perceived a misalignment between the schedule for receiving the ECE compensation funds and the schedule for paying their staff. The new revenue stream was designed so that first-quarter payments would arrive at the start of the second quarter (and so on), and providers were not required to pay new minimum salaries until they received their first payment. However, many center directors appeared to be confused about or unaware of this policy, or they chose to begin paying their staff at the higher rate early.

As a result, some centers had to front the increased salaries for up to three months before being reimbursed, creating significant cash flow strain. This was particularly challenging for centers hiring new staff or filling vacancies. Although policy allows providers to retain the full quarter's payment and apply it to a replacement hire, some directors covered the higher salaries themselves rather than waiting, which they viewed as necessary to maintain trust with staff.

Payment timing challenges were particularly difficult for centers hiring new staff or replacing educators whose credential level triggered higher minimum pay (e.g., moving from an AA to a BA). Some directors also appeared to misunderstand these requirements, with a few believing that BA and MA credentials carried different minimums when, under current policy, they do not. Whether a center could absorb this strain did not appear to follow clear patterns by license type, subsidy participation, ward, or organizational structure. Instead, it may have depended on other factors, such as enrollment stability, business model, staff size, and access to emergency or surplus funds. According to one director:

> *"How can I hire someone and tell them that you're not gonna get paid the higher salary for six months? It's not logical. It's not logical.... It was very painful for my business because I had to do it for two employees. When you're talking about $63,000 a year, six months of that, that's money out of—I'm just gonna be honest—literally [the ECE compensation program] has almost put us out of business."*

Directors noted that these payment timing challenges compounded when there were additional delays or errors in processing. Several reported receiving payments later than they should have, after the quarter had already begun. Some described issues with the direct deposit sign-up and payment system, while others described discrepancies in payment amounts that took months to resolve or were never corrected. One director said:

> *"It sucked, because we got paid after the quarter started each time. You're already in a deficit, you're already trying to figure it out, and then the money come late. More difficulty. … Every quarter."*

Survey results mirrored these mixed experiences. Approximately one-fifth (22 percent) of the directors reported ongoing concerns about potential payment delays after the first year of implementation. However, the majority of respondents were not concerned about delays by that point, and a few directors in interviews explicitly stated that their payments were accurate and on time.

Communication Challenges

As mentioned above, many center directors were grateful for the communication and assistance from OSSE that helped them navigate the application and registration process. However, some center directors had issues accessing real-time support when they needed it. Several directors described frustration about not hearing back from OSSE or related support staff when they reached out for help or reported a problem. Some directors shared that they were unable to get assistance with time-sensitive concerns, noting that when managing payroll, they often "need an immediate response." Additionally, several directors had the impression that emails to OSSE often went unanswered. According to one director:

> *"They were like, if you have questions, email the ECE help desk…. I was like, it's just emailing into a void. You never got—sometimes you get a response. Sometimes you didn't get a response."*

However, it should be noted that OSSE directs programs to use the ECE compensation program email address for pay equity matters; the ECE help desk is intended for licensing and credentialing questions.

The timing of the rollout also compounded challenges, with a couple of directors bringing up seasonally specific communication challenges. Processes necessary for disbursing the first round of payments launched around the winter holidays when many individuals were taking time off work, leading to communication challenges just as they needed access to timely troubleshooting. One director noted:

> *"We knew the rollout, the tools—December, rolling into the holidays when people were gonna be out of offices … but also the rollout time coincides with the time period that you can't just get ahold of anybody."*

Limited support hours also created barriers for those who could only address application issues outside of their workday. Because their workdays are often fully occupied with operating their programs, or sometimes even teaching, directors often cannot address administrative questions until after standard business hours. One director noted that in response, some directors informally coordinated peer-to-peer troubleshooting:

> *"There were no evening hours.... There are a few directors who kind of pulled together on an email exchange, and sometimes we meet in person, who are all going through the same thing. We all just kind of compare and take notes and use each other as a resource."*

What Were the Unintended Consequences of the New Revenue Stream Model?

Directors also pointed to several unintended consequences that emerged during the implementation of the new revenue stream model. In particular, they described funding amounts that sometimes fell short of covering mandated wage increases, tuition pressures, wage compression between teachers and directors, and limited flexibility to recognize staff experience or performance.

Insufficient Payment Amount and the Funding Formula

Some of the challenges that center directors described during the interviews were tied to the structure of the new revenue stream model itself, specifically the amount of money their centers were eligible to receive. A few directors commented that their funding was currently insufficient and would likely remain so to fully cover the costs of implementing the required wage increases in the long term. They expressed concern that, without additional financial support, they would need to raise tuition to meet mandatory minimum salaries. Some reported that they had already taken this step, raising concerns about affordability for families and longevity of their businesses.

A few directors also noted that they had not been aware that they would receive less than the full amount needed to cover salary increases. They expressed frustration and surprise upon realizing that the funding would fall short of covering the full cost, emphasizing that the funding formula did not account for key differences in business models, staffing structures, or center sizes. As one director put it:

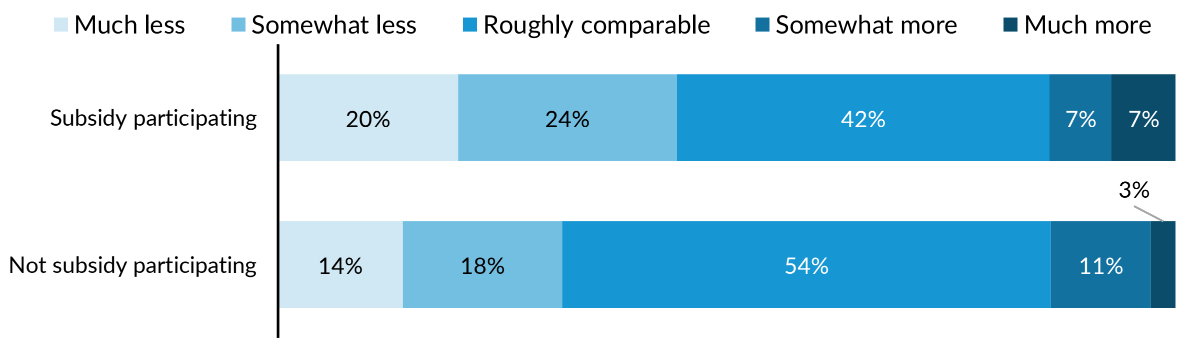
> *"They are not understanding that all businesses are not equal.... They're just saying, 'We're going to give you this pot of money, and you make it work.'"*

Survey results echoed these concerns. About 40 percent of directors reported that the payments they received to implement the new revenue stream model were somewhat or much less than the additional costs they incurred by participating in the program. Furthermore, directors of centers participating in DC's subsidy program, despite receiving a larger payment amount for serving children with subsidies, reported this mismatch between payments and costs at a slightly higher rate than those of non-subsidy-participating centers (44 percent versus 32 percent; figure 5). In contrast, concerns about insufficient payment amounts came primarily from non-subsidy-participating centers. This inconsistency across data sources suggests that directors' perceptions may be shaped by a range of factors, such as enrollment mix, reliance on subsidies, or financial management strategies, rather than by subsidy status alone.

FIGURE 5

Survey Respondents' Perspectives on How Payments from the ECE Compensation Program Compare with Costs to Implement the Required Minimum Salaries

Payments are ___ than the additional costs



URBAN INSTITUTE

Source: Urban Institute's web survey of DC child development center directors from September to October 2024.
Notes: Based on 75 observations of center directors whose centers participated in the FY 2024 ECE compensation program. Survey weights were implemented to represent all DC child development centers. Survey question was: "Think about the additional costs to implement the required minimum salaries under the ECE compensation program. Payments are ____ than the additional costs." ECE = early childhood educator.

During the interviews, some directors described the financial strain caused by insufficient payment amounts in very personal terms. A few reported having to draw on personal savings or retirement accounts to meet payroll. For smaller centers, particularly those already operating on thin margins, even a funding gap of a few thousand dollars created significant stress on their business operations. One director shared:

> *"I had to take out a personal loan from my 401(k) just to make payroll a couple of months ago. Because $10,000 doesn't sound like a lot, but for a small business, it's a lot."*

Additionally, some but not all directors found the administrative enhancement insufficient. One director, who also expressed concerns about the overall funding shortfall, described the enhancement as inadequate relative to the administrative burden created by participation. The director emphasized that the percentage provided had minimal impact on their center's bottom line and did not account for the additional time and labor required to manage compliance, documentation, and reporting under the new revenue stream model.

Tuition Impacts

In the interviews, directors shared mixed perspectives on whether and how the new revenue stream influenced tuition increases at their centers. Some directors noted that while they had raised tuition in recent years, these increases were not directly related to the ECE compensation program. Instead, they described the increases as an ongoing and necessary response to broader financial pressures, including rising rent, inflation, and general operating costs. They viewed small annual tuition adjustments as part of their routine financial planning to maintain the long-term sustainability of their centers. In this context, some reported annual increases of 2 to 6 percent, depending on external costs. They emphasized that these adjustments were not driven by the ECE compensation program requirements, but rather by the growing expenses associated with running an early childhood education center in a high-cost city. As one director said:

> *"DC rent is absolutely insane … this is only just to pay the rent, the taxes, the fees, the trash. It's a lot."*

However, a few directors reported raising tuition specifically to cover the actual costs of meeting the required salary increases resulting from the gaps in funding. They described difficult trade-offs, noting that higher tuition could negatively affect enrollment and families in their programs. In fact, one director explained that they lost families after increasing tuition by 7 percent, an action they deemed necessary to remain in compliance with the salary requirements when the ECE compensation funding was insufficient. The director noted that their board considered applying for a waiver to avoid the mandated increases but ultimately decided against it, citing concerns about government intrusion into a financially stable private business.

Wage Compression

Some directors noted in interviews that the new revenue stream model led to wage compression, making their salaries nearly the same as, or in some cases lower than, those of the early educators in their centers. In the survey, about one-quarter (24 percent) of directors reported that, due to the minimum salary requirements under the new revenue stream, most teachers at their centers earned more than they did. This imbalance led some center directors to express discomfort about their role as supervisors during the interviews. As one director explained:

> *"To be honest with you, you cannot be a supervisor and somebody else is earning more money as a teacher, more than you."*

This compression is especially notable, given that directors often have more years of experience in the field and higher levels of education compared to the staff they supervise. A few directors shared that their organizations found ways to supplement director pay, but this was not common. Some suggested that future program designs should consider a funding stream for directors or an adjustment to the formula to account for administrative staff beyond the existing administrative adjustment.

Standardization and Limited Flexibility

Several center directors reported that the minimum salary structure has led to flatter pay scales for educators, which prevents them from compensating educators for their years of experience or performance. While the salary scale sets minimums, they noted that the funds available are almost fully used to meet those minimums, leaving little or no room to offer raises beyond credential-based increases. While some directors were able to use ECE compensation funding to increase compensation for nonclassroom staff or provide additional raises, most reported this was not possible in their center. As one director said:

> *"Where is there room for me to give her an increase? There is none."*

Others voiced frustration that the current pay structures sometimes meant that high-performing educators with several years of experience had lower salaries because of their lower educational levels compared with newer teachers with higher degrees. One director noted:

> *"I have a woman who's been teaching in early childhood for 15 years … and they put her as having a CDA.… This woman deserves to be paid the $75,103."*

Together, these findings point to the specific challenges in program design. While mandated salary floors help raise wages across the workforce, they can also compress pay scales; constrain directors' decision-making; and create tensions when administrators, who often have advanced educational degrees, are excluded. Balancing consistency in wage setting with flexibility to reward experience, performance, and leadership may be an important consideration for future compensation strategies.

Implications

Interviews and surveys with child care directors highlighted several strengths of DC's ECE compensation program. Many viewed participation in the new revenue stream model as essential for hiring and retaining qualified staff in a competitive labor market, supporting higher-quality care, and recognizing the value of educators. Directors also highlighted the flexibility the new revenue stream provided for operational funding, including the ability to raise pay beyond minimum levels, support noneducator roles, and keep care more affordable for families amid rising costs. The use of waivers allowed some centers to tailor funding to their financial realities, and clearer tax implications reduced stress for staff. Several directors generally found the administrative processes and resources manageable and valued support from OSSE and partner organizations. About half of directors surveyed, expressed a preference for the new revenue stream model, noting alleviation of initial concerns about the new structure. While these strengths demonstrate that the new revenue stream model worked well for many directors, several implementation challenges remain. Some of these challenges reflect timing and communication issues that arose during the program rollout or during the shift to payment through employers, which may be largely historical in nature. Nonetheless, understanding these experiences can inform OSSE's ongoing efforts to refine and improve the program. At the same time, these lessons may be useful for other jurisdictions seeking to plan, develop, or implement similar programs, offering insights into what worked well in DC's experience and what pitfalls to avoid in future ECE compensation initiatives.

Directors' perspectives revealed several opportunities to strengthen the design and delivery of DC's ECE compensation program. One recurring theme was the need to **clarify communication regarding program policies and expectations, particularly around payment timing**. Directors noted that more clarity about when funds would arrive would allow them to better plan payroll and budget for ongoing expenses. In a sector where margins are tight and cash flow is critical, even minor delays or uncertainty can create significant operational stress.

Another area for improvement relates to **communication and technical assistance**. Directors emphasized that the program's success depends not only on the financial benefit it provides, but also on the ease with which providers can access accurate information and receive timely support. Many described challenges in navigating available channels for assistance. Although OSSE provided an email address, directors noted that the absence of a specific contact person or direct phone line often made it difficult to obtain quick answers to urgent questions. As one director explained:

“We don’t really have a true point of contact to the DC [ECE compensation program] office. Yes, there’s an email, they tell you to just send the email, but there’s no direct name of the person. There’s no phone number for us to call. I think that having that streamlined, too, will help with these simple questions that come up in the process.”

Providers benefit from knowing exactly what is expected of them, how to apply, and when to expect payments. Implementation timelines should be communicated early and reinforced through multiple channels to ensure broad reach and understanding.

Directors also stressed the importance of **expanding the hours when support is available**. Given that directors often devote their workdays to program operations, and in some cases teaching, administrative tasks are often postponed until after center hours, highlighting the limited time available for this critical work. As one director reflected:

“I think the challenge with [the program] was that [available OSSE support] was during the course of our day, our work day. There were no evening hours.”

Extending availability of support to evenings or early mornings could significantly improve program accessibility for busy providers.

Moreover, directors pointed to **administrative processes, such as the waiver application, that could be simplified to reduce paperwork and time demands**. For many, the process required repeated back-and-forth communication to clarify requirements, track down missing information, or resubmit forms. This was particularly challenging for smaller centers with limited or no dedicated administrative staff, where the director often shoulders both instructional and operational responsibilities. These smaller centers would particularly benefit from targeted assistance, whether in the form of one-on-one guidance or user-friendly resources that walk providers through program steps. Some directors suggested that having prefilled templates or checklists could make a meaningful difference in the process.

Beyond administrative streamlining, several noted that **wage compression has been a concern**, especially in cases where directors themselves are not eligible for enhancements. Explicitly including leadership roles in minimum salary schedules, or at least considering options to address disparities between staff and leadership pay, could improve morale and retention at all levels.

In sum, directors’ experiences with the new revenue stream model highlight both successes and ongoing challenges with the implementation of the ECE compensation program. Directors valued the flexibility, support, and structure of the new revenue stream, which they felt contributed to staff retention, higher-quality care, and recognition of educator value. At the same time, administrative complexities, communication gaps, and concerns about wage compression indicate areas where program implementation could evolve. Looking ahead, these findings suggest that the program's future and continued impact depend on how these dynamics are managed over time, including the stability of funding, clarity of processes, and ongoing responsiveness to provider needs.

Appendix A. Interview Sample Characteristics

TABLE A.1.

Characteristics of Participating Child Development Centers (*N* = 20)

Characteristics	N (%)
Participation in New Revenue Stream Model	
Yes	20 (100%)
Waiver	
Yes	8 (40%)
No	12 (60%)
Subsidy Participation	
Yes	11 (55%)
No	9 (45%)
Authorized Capacity	
0–20	2 (10%)
21–40	7 (35%)
41–60	5 (25%)
61–80	1 (5%)
81–100	2 (10%)
100+	3 (15%)
Ward	
1	3 (15%)
2	3 (15%)
3	1 (5%)
4	4 (20%)
5	1 (5%)
6	5 (25%)
7	2 (10%)
8	8 (5%)

Source: Data from 2024–25 Urban Institute interviews with center directors.

Notes

[1] In DC, child care programs are licensed as “child development facilities,” though the term “facilities” is infrequently used in the broader child care field. In this report, we use the term “child care provider” to refer to licensed child care centers or family child care homes. In cited materials, the term “provider” may be used to reference one or multiple facilities housed under an umbrella organization; our definition deviates from this.

[2] Authors’ analyses of published FY 2024 participation data from OSSE. Office of the State Superintendent of Education, “Early Childhood Educator Pay Equity Fund: Past Program Years,” accessed October 3, 2025, https://osse.dc.gov/node/1703441.

[3] Office of the State Superintendent of Education, “Early Childhood Educator Pay Equity Fund: Information for Facility Leaders and Staff,” accessed October 3, 2025, https://osse.dc.gov/pef.

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About the Authors

Laura Jimenez Parra is a research associate in the Family and Financial Well-Being Division at the Urban Institute. Her research focuses on child care and early education policies and practices that improve the outcomes of young children, families, and child care providers.

Eve Mefferd is a research associate in the Family and Financial Well-Being Division focusing on child care and early education, workforce well-being, and economic security.

Elli Nikolopoulos is a research analyst in the Family and Financial Well-Being Division. Her research focuses on efforts to increase access to high-quality and affordable child care and early education, especially for families with low incomes.

Alicia González is a research assistant in the Family and Financial Well-Being Division. She is a mixed-methods researcher focusing on child care and early education policy.

Heather Sandstrom is a senior fellow in the Family and Financial Well-Being Division and principal investigator of the DC Child Care Policy Research Partnership. Her research focuses on child care access and quality and the early childhood workforce.

Erica Greenberg is a senior fellow in the Family and Financial Well-Being Division and principal investigator of the DC Child Care Policy Research Partnership. Her research spans early childhood policies, focusing on preschool and child care access, quality, and outcomes. She is particularly interested in policy innovations that expand opportunity for children, families, and educators.

Justin B. Doromal is a senior research associate in the Family and Financial Well-Being Division. His research focuses on policy initiatives aiming to stabilize, build, and strengthen the availability of high-quality child care and early education. He also studies how policies and systems can support families' search for and use of child care and early education programs.

Rachel Lamb is a research analyst in the Work, Education, and Labor Division at the Urban Institute. She focuses on pre-K–12 education policy issues.

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500 L’Enfant Plaza SW
Washington, DC 20024

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