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EVIDENCE ON THE BENEFITS OF THE DISTRICT OF COLUMBIA'S EARLY CHILDHOOD EDUCATOR PAY EQUITY FUND FOR CHILD CARE AFFORDABILITY AND DC'S GROWTH

Statement of

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*The views expressed are our own and should not be attributed to the Urban Institute, its trustees, or its funders.

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Our names are Erica Greenberg and Eve Mefferd. We are researchers working on the District of Columbia (DC) Child Care Policy Research Partnership[1] as senior fellow (Greenberg) and research associate (Mefferd) at the Urban Institute, a nonprofit social and economic policy research organization in Washington, DC. In addition, we are DC residents, and one of us (Greenberg) is the parent of two young children in DC. The views we share are our own and should not be attributed to the Urban Institute, its trustees, or its funders.

Since 2019, we have collaborated with the Office of the State Superintendent of Education (OSSE), Division of Early Learning on child care research through the DC Child Care Policy Research Partnership. Among the multiple studies conducted through the partnership, we have studied and published research on the benefits, opportunities, and challenges of DC's Early Childhood Educator Pay Equity Fund (hereafter, "the compensation program") across its first four years of implementation. Our evaluation examines how this innovation, as one in a constellation of important investments in DC's early childhood ecosystem, affects DC's children, families, child care professionals, and businesses.

Our work shows that this compensation program is more than a budget line item: it works in concert with other public and private funding to stabilize and improve the supply of quality child care in DC. The program has not only paid for itself but delivered millions of dollars in additional economic returns.[2] Without it, the supply of licensed child care in the District will likely shrink and become even more expensive and inaccessible to families, worsening affordability challenges. Although the mayor has said that the compensation program is "not a child care affordability fund"[3] and "the argument that it made child care more affordable is also false,"[4] districtwide evidence shows the opposite. Nearly half of child care program leaders surveyed said they would have to raise tuition if the compensation program is cut.[5] Maintaining a supply of quality child care without higher costs for families requires continued public investment.

This testimony highlights findings new since the FY 2026 budget season alongside evergreen evidence from our ongoing research. It reflects analysis of OSSE administrative data, census surveys of child care

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[1] More information about the partnership is available at "DC Child Care Policy Research Partnership," https://www.urban.org/projects/dc-child-care-policy-research-partnership. The partnership is supported by the Administration for Children and Families (ACF) of the US Department of Health and Human Services (HHS) as part of two financial assistance awards (Grants #90YE0221 and #90YE0284) totaling $3.2 million, which are fully funded by ACF/HHS. The study findings we share in this informational testimony do not necessarily represent the official views of, or constitute an endorsement by, ACF/HHS or the US government.

[2] Owen Schochet and Katie Gonzalez, "Early Childhood Educator Pay Equity Fund (PEF): Do Economic Returns Change Over Time?" (Mathematica, 2026), https://www.mathematica.org/publications/early-childhood-educator-pef-do-economic-returns-change-over-time.

[3] Rebecca Gale, "Pay Equity Fund for D.C.'s Early Educators Faces Possible Elimination," The 74, April 17, 2026, https://www.the74million.org/zero2eight/pay-equity-fund-for-d-c-s-early-educators-faces-possible-elimination/.

[4] Martin Austermuhle, "Bowser has put out her final budget. Here's what the big funding fights will be," The 51st, April 13, 2026, https://51st.news/dc-budget-bowser-2027/.

[5] Elli Nikolopoulos, Justin B. Doromal, Heather Sandstrom, and Erica Greenberg, "DC's Early Childhood Educator Compensation Program Helps Stabilize Child Care Businesses" (Urban Institute, 2026), https://www.urban.org/research/publication/dcs-early-childhood-educator-compensation-program-helps-stabilize-child-care.

administrators and early educators, interviews and focus groups with child care center directors, and interviews with business leaders and parents.

The Early Childhood Educator Compensation Program Is a Systems-Level Reform with Systems-Level Benefits for Accessible, Affordable, Quality Care

Since it began in FY 2022, the early childhood educator compensation program has had a wide reach. OSSE estimates that about 86 percent of eligible DC facilities participated in the program in the last quarter of FY 2025, including facilities of every type in every ward of the district, many of which also participate in DC's child care subsidy program. [6] Under the FY 2026 structure, minimum annual salaries range from about $49,000 (for teachers and assistant teachers with a child development associate credential or the equivalent) to $71,000 (for lead teachers with a bachelor's degree).[7] These minimum salaries are lower than they were in FY 2025 (about $51,000 and $75,000, respectively).[8] However, they far outpace salaries among DC child care workers before the compensation program was enacted[9]—salaries that previously made jobs in licensed child care settings unattractive to prospective educators and hard to fill.[10]

In the compensation program's current structure, wage supplements promote the financial stability of DC's child care businesses, allowing them to minimize cost increases for families, support continuity of care conducive to child development, and enhance the well-being of early childhood professionals.

- **The compensation program shows evidence of effectiveness as an affordability solution.** A majority (61 percent) of providers participating in the compensation program report no tuition increases in the past year, even with inflation and rising operational costs. The compensation program influenced tuition "somewhat" or "a lot" for about one-third of providers (34 percent), including helping minimize tuition increases that would otherwise be passed on to families. Furthermore, adequate funding matters; among surveyed providers that did raise tuition,

[6] Rachel Lamb, Justin B. Doromal, Erica Greenberg, and Heather Sandstrom, "Understanding Take-Up of Wage Supplements for Early Educators in DC" (Urban Institute, 2026), https://www.urban.org/research/publication/understanding-take-wage-supplements-early-educators-dc; "Early Childhood Educator Pay Equity Fund: Fiscal Year 2025 (FY25) Quarter 4 (Q4) Data Summary," DC Office of the State Superintendent of Education (OSSE), November 19, 2025, https://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/FY25%20Q4%20Data%20Slides%20%283%29.pdf.

[7] "Early Childhood Educator Pay Equity Fund Minimum Salaries for Fiscal Year 2026. October 2025 Update" (DC OSSE, 2025), https://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/CDF%20Payroll%20Funding%20Formula%20October%202025%20English.pdf.

[8] "Early Childhood Educator Pay Equity Fund Minimum Salaries for Fiscal Year 2025" (DC OSSE, 2024), https://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/Minimum%20Salaries%20for%20FY25%20English.pdf.

[9] "May 2021 State Occupational Employment and Wage Estimates: District of Columbia," US Bureau of Labor Statistics, accessed April 28, 2026, https://www.bls.gov/oes/2021/May/oes_dc.htm.

[10] Heather Sandstrom et al., *Early Educators' Reflections on the DC Early Childhood Educator Pay Equity Fund* (Urban Institute, 2024), https://www.urban.org/research/publication/early-educators-reflections-dc-early-childhood-educator-pay-equity-fund.

nearly three-quarters (29 percent) attributed this change to the compensation program funding falling short of what they were required to pay educators, at least in part.[11]

- **Without the compensation program, child care will be more costly for families and less attractive for early educators.** Nearly half (49 percent) of fall 2025 survey respondents said they would have to raise tuition to manage business operations if the program were terminated. In open-ended responses, they further explained how they could not maintain educators' salaries set by the compensation program requirements without raising tuition and would risk losing educators if they had to reduce salaries.[12] As one parent described, "The biggest concern is that every year it [the PEF] seems to be on the chopping block for the mayor's budget. I understand that's the case for a lot of different programs, but if DC wants to continue growing in the sense of having people move here and stay here, then there has to be a way to keep kids in DC, and this is just one piece of the puzzle for that... If the costs here change so much that we couldn't afford it anymore, then moving elsewhere would definitely be on the table."

- **The compensation program helped stabilize the supply of child care by supporting the financial health of child care programs.** Among child care administrators we surveyed who participated in the compensation program, almost half (45 percent) credited the program with benefiting their facilities' financial health and well-being "a lot," with another 31 percent reporting that it benefited them "somewhat." This was particularly true for owners and operators of home-based programs; 56 percent reported the compensation program helped their facility's overall financial health "a lot" (compared with 41 percent of center directors).[13] The compensation program has also allowed centers to allocate operational resources flexibly to meet their specific needs and remain financially stable without raising families' tuition, including by increasing educator pay above minimum levels and providing compensation for noneducator roles that are essential to child care program operations.[14]

- The compensation program has had particularly strong benefits for facilities serving families with low incomes that participate in DC's child care subsidy program. Facilities that participated in the subsidy program were more likely to report the compensation program benefited their finances "a lot" (51 percent) than those that did not participate in the subsidy program (34 percent).[15] Furthermore, educator turnover was much lower at facilities that participated in both programs compared with facilities that participated in the subsidy program

[11] Nikolopoulos et al., "DC's Early Childhood Educator Compensation Program Helps Stabilize Child Care Businesses."

[12] Nikolopoulos et al., "DC's Early Childhood Educator Compensation Program Helps Stabilizes Child Care Businesses."

[13] Nikolopoulos et al., "DC's Early Childhood Educator Compensation Program Stabilizes Child Care Businesses."

[14] Laura Jimenez Parra et al., *Implementing a New Revenue Stream Model to Enhance Early Childhood Educators' Wages* (Urban Institute, 2025), https://www.urban.org/research/publication/implementing-new-revenue-stream-model-enhance-early-childhood-educators-wages.

[15] Nikolopoulos et al., "DC's Early Childhood Educator Compensation Program Helps Stabilize Child Care Businesses."

but not the compensation program (37 percent and 51 percent, respectively).[16] Reducing turnover means increased continuity of care and greater stability for young children from families with low incomes at key developmental stages. Without the compensation program, one parent said that "the greater quality that comes along with teacher stability" would be "something that only people who are very wealthy can afford."

- **The compensation program has improved child care quality.** According to child care directors, the program is essential in helping them attract and retain the most qualified candidates in a competitive labor market. In addition, the program has helped motivate and enable staff to pursue additional education and professional development opportunities. It is also improving morale by providing fairer compensation that recognizes the value of early educators and reduces early educators' financial stress, thereby helping them better focus on supporting the needs and development of children in their care.[17] These aspects of quality are important to DC families; one parent called the compensation program part of an "ethical system, where we should be paying people an appropriate amount."

- **Broadly, the compensation program is supporting the mayor's goals of making "DC a great place to live, work, and raise a family."**[18] Roughly 80 percent of surveyed child care administrators agreed that it has been "good for DC families."[19] Similarly, all interviewed DC parents of young children in DC agreed that the compensation program was good for DC families and child care providers.[20]

As part of the early childhood educator compensation program, DC has provided affordable health insurance through HealthCare4Child Care (HC4CC) for employees of licensed child development facilities and their eligible dependents. HC4CC has yielded benefits that complement those of the program's wage supplements.

- **HC4CC is expanding health care access and mitigating the potential loss of public health insurance coverage that comes with increased pay without raising costs for families.**[21] In its

[16] Justin B. Doromal, Rachel Lamb, Erica Greenberg, Heather Sandstrom, and Laura Jimenez Parra, "Wage Enhancements Reduce Educator Turnover in DC's Child Care Centers" (Urban Institute, 2025), https://www.urban.org/research/publication/wage-enhancements-reduce-educator-turnover-dcs-child-care-centers.

[17] Justin B. Doromal, Elli Nikolopoulos, Alicia González, Eve Mefferd, Erica Greenberg, and Heather Sandstrom, "Wage Enhancements Promote High-Quality Child Care in DC" (Urban Institute, 2025), https://www.urban.org/research/publication/wage-enhancements-promote-high-quality-child-care-dc.

[18] "Mayor Bowser Ensures Full Funding for PKEEP, Pay Equity, and Child Care Subsidies in FY26 Budget," Executive Office of the Mayor, news release, April 24, 2025, https://mayor.dc.gov/release/mayor-bowser-ensures-full-funding-pkeep-pay-equity-and-child-care-subsidies-fy26-budget.

[19] Nikolopoulos et al., "DC's Early Childhood Educator Compensation Program Helps Stabilize Child Care Businesses."

[20] Forthcoming results from semi-structured interviews with 30 parents using child care in DC. Parents were residents of wards 1, 2, 3, 4, and 6 and used child care programs in wards 1, 2, 3, 4, 6, 7, and 8. Most did not receive child care subsidies.

[21] Erica Greenberg, Dulce Gonzalez, and Alicia González, *Health Care for the Child Care Workforce* (Urban Institute, 2025), https://www.urban.org/research/publication/health-care-child-care-workforce.

first two years, about 80 percent of eligible facilities participated in HC4CC, most of which did not offer health insurance before HC4CC. HC4CC enrolled 2,331 people during this period, including child care staff and eligible dependents.[22]

- **HC4CC makes health insurance more affordable for child care providers and early educators.** Interviews with community leaders and child care providers indicated the initiative improved health insurance affordability, increasing access to health care and enhancing enrollees' health and well-being and professional identity.[23]

Continued Early Childhood Investments Are Key to DC's Growth

Evidence from the business community corroborates our findings from child care administrators and early educators, emphasizing how an early childhood ecosystem—and the constellation of investments that support it—are essential for the District to thrive.

- **DC's investments in child care and early education have been a strength for attracting business to the city.** In interviews,[24] five DC business leaders representing large and small employers and business membership organizations reported that DC's early childhood programs are robust, and that a robust child care system impacts whether they can attract and retain the right talent. They described high demand for child care and early education among employers and employees and how some investments, like free universal pre-K, are part of the argument for businesses to locate in DC. Business leaders described how early childhood investments like the compensation program have made DC a family-friendly city. But they report continued affordability challenges that affect whether employers, families, and child care providers choose to locate in the District in the long term.

- **Evidence shows that terminating or reducing the compensation program could exacerbate affordability challenges and undermine DC's growth.** Even in a tight fiscal climate, investments in programs like the early childhood educator compensation program pay off, with an estimated 21 percent return on investment in FY 2024—largely through increased access, affordability, and quality for families.[25] We have already begun to document the cost increases that families will face, and the child care market instability families and employers will have to navigate, if the compensation program scales down.

- **Reductions to or termination of the compensation program could jeopardize other parts of the child care system, such as the child care subsidy program.** Facilities that accept subsidies may see increased staff turnover and families who receive subsidies may see their child care

[22] Greenberg et al., *Health Care for the Child Care Workforce.*

[23] Greenberg et al., *Health Care for the Child Care Workforce.*

[24] Erica Greenberg and Alicia González, "Child Care Is Business Infrastructure," *Urban Wire* (blog), Urban Institute, April 14, 2026, https://www.urban.org/urban-wire/child-care-business-infrastructure.

[25] Schochet and Gonzalez, "Early Childhood Educator Pay Equity Fund (PEF): Do Economic Returns Change Over Time?"

options dwindle through decreased staff capacity and program closures.[26] Districtwide, threats to the compensation program have been a concern for DC's child care providers every year since 2023.[27] More recently, we have documented how these threats are sowing anxiety and distrust at a time of broader uncertainty in DC and with federal child care investments.[28] But DC's early childhood initiatives can work together as more than the sum of their parts with sufficient, stable funding. As one parent explained, "If we want a city that has a variety of ages and people of all different backgrounds, then it's gonna take a lot of different puzzle pieces…You can't have just one of [these early childhood investments]. They all support families in different and important ways."

Our research demonstrates how the compensation program has contributed to staff stability, quality, and improved wages while maintaining affordability for both families and early educators. Our findings are clear: **reducing or terminating the early childhood educator compensation program would worsen affordability challenges and undermine DC's growth today and into the future.**

We welcome the opportunity to provide additional evidence and answer questions on this testimony as committee hearings proceed.

[26] Doromal et al., "Wage Enhancements Reduce Educator Turnover in DC's Child Care Centers."

[27] Jimenez Parra et al., *Implementing a New Revenue Stream Model to Enhance Early Childhood Educators' Wages.*

[28] Elli Nikolopoulos, Laura Jimenez Parra, and Erica Greenberg, "Sustaining DC's Pay Equity Fund Would Stabilize Families and Child Care Centers," *Urban Wire* (blog), Urban Institute, May 1, 2025, https://www.urban.org/urban-wire/sustaining-dcs-pay-equity-fund-would-stabilize-families-and-child-care-centers; Diane Schilder, Laura Wagner, Eve Mefferd, and Erica Greenberg, "Access to Infant and Toddler Early Care and Education: Perspectives from Leaders in the District of Columbia"(Urban Institute, 2026), https://www.urban.org/research/publication/access-infant-and-toddler-early-care-and-education.