Blog Post | July 2024

What to Expect Next for the Pay Equity Fund

Where we are today?

The DC Council approved the fiscal year (FY) 2025 budget late last month, allocating $70 million annually and $280 million across the 4-year financial plan for the Pay Equity Fund. This allocation includes $12 million annually for the HealthCare4ChildCare program. Despite a significant restoration, the Pay Equity Fund faces a $17 million gap in funding for next year. In the short-term, as legislated, this could lead to a pay cut for educators with bachelor's degrees, a freeze on new child care program enrollment into the Pay Equity Fund, a waitlist for the HealthCare4ChildCare program, and the exclusion of educators with less than a Child Development Credential(CDA) from the program (this measure is mandated in law).

Check out this Under 3 thread and the Under 3 budget wrap up blog to learn more about the funding gap.

Looking ahead

The future of the Pay Equity Fund program structure, minimum salaries, and its funding formula is now in the hands of the Early Childhood Educator Equitable Compensation Task Force. They are working to restructure the Fund to fit within a $70 million annual budget and must submit a report detailing their recommendations by September 30, 2024. Although the DC Council extended the initial report deadline by 27 days, this timeline is incredibly tight given limitations of currently available data, and the high stakes nature of the Task Force's recommendations that will immediately impact over 4,000 early educators.

The Task Force is focused on making the Pay Equity Fund more efficient and equitable, while preserving educator salaries and benefits as much as possible given funding constraints. Elements of the funding formula including the base award, administrative enhancement and equity adjustment could see changes. We expect the Task Force to rethink the payroll funding formula by making adjustments to better target need including factors such as:

- Proportion of enrollment receiving subsidy (currently it is proportion of capacity receiving subsidy)
- Proportion of enrollment serving infants and toddlers
- Hours of child care provided daily and annual calendar schedule
- Tuition and fees charged
- Employer sponsored/private equity/publicly-traded centers

The Task Force will need more precise data from the Office of the State Superintendent of Education (OSSE) to create a more nuanced funding formula, and consider the factors above. New regulations will require programs to share enrollment, vacancy and tuition information with OSSE later this summer or early fall. These data will be essential to the Task Force as it does its work, but the timing of the data collection with the September 2024 Council-imposed deadline will prove to be challenging. In addition to these data, the Task Force would benefit from knowing what share of programs' awards went to boosting educator salaries and what share went to administrative and other needs.

They also plan to propose a new pay scale for the Pay Equity Fund – one that stays within the new, tighter budget, while also maintaining pay parity for early educators with their counterparts teaching older children. Due to concerns from the Mayor, OSSE, and DC Council about the (naturally) growing cost of the program, the Task Force is considering aligning the early educator salary scale with pay scales outside of the Washington Teachers Union (WTU) (upon which current Pay Equity Fund salaries are based), including charter school pay. It is unclear the degree to which a different basis for parity could help contain costs at this time.

Task Force meetings are open to the public and take place monthly. The next meeting is August 6 at 6 pm. We encourage any interested Under 3 DC members to sign up to attend here.

Payment timeline and salary adjustments:

In September, OSSE plans to disburse the final FY 2024 payment to participating programs. Quarter four funds should last programs through the end of the calendar year, as each payment covers the next three months.
The DC Council lowered the minimum salary scale for quarter one of FY 2025 for lead teachers with bachelor's degrees from $75,103 to $63,838, the same as Pay Equity Fund minimum salary for an educator with an associate's degree. Barring intervention by the Task Force, OSSE, or the DC Council, this means that the payment that goes out in January 2025 will be $2,816 lower per lead teacher with a bachelor's degree than this year. The Task Force will likely recommend an alternate structure for quarter two of FY 2025 and beyond in its September report to the Council.

Important dates and upcoming milestones

Date	Item
September 2024	• Quarter 4 FY 2024 payment to participating programs. Funds intended to last through the end of the calendar year • By September 30, the Task Force to recommend an alternate Pay Equity Fund program structure and funding formula
Fall 2024	• DC Council updates laws governing Pay Equity Fund based on Task Force recommendations
January 2025	• Quarter 1 payment of FY 2025 to participating programs • Payment will be $2,816 lower for lead teachers with a bachelor's degree compared to FY 2024 (barring intervention) • OSSE may be able to begin implementing a new program design by the start of 2025
Q2 FY 2025 and beyond (Beginning with payment in March 2025)	• If the new PEF program design legislated by DC Council is not yet implemented, OSSE must begin implementation by Q2

Ongoing advocacy and collaboration

Under 3 DC will continue to collaborate with Task Force members and OSSE to ensure that the redesigned Pay Equity Fund program supports early educators, early learning programs, families, and children equitably. We will update you on ways to get involved as we learn more.