

Foundational Funding Strategies: National Examples from Maine, Massachusetts, and Washington, DC

November 14, 2024



Center for Early Learning Funding Equity

The Center for Early Learning Funding Equity (CELFE) builds capacity for assessing and ensuring adequacy and equity in early learning funding systems through research and transformative partnerships. We create innovative approaches and funding mechanisms that support the diverse needs of children and families



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Strategy Spotlight

STRATEGY SPOTLIGHT

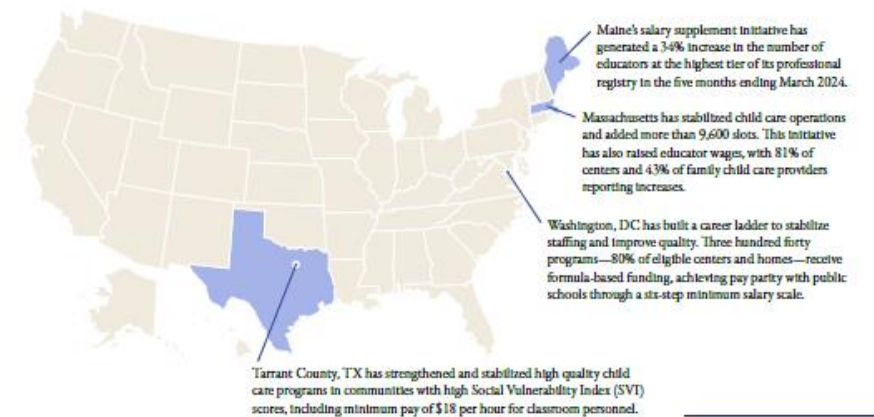
Foundational Funding for Child Care: The National Picture

STATE AND LOCAL INNOVATIONS FOR IMPROVED COMPENSATION, QUALITY, AND EQUITABLE ACCESS



A movement to reimagine child care funding is underway. Child care centers and family child care homes have long struggled to survive and thrive. In a 2019 survey of 35 states, the Bipartisan Policy Center found that existing child care slots met less than 70% of potential need,¹ and families report difficulty finding affordable, quality child care in communities nationwide. This long-term, ongoing failure of the child care market is driven primarily by the parent-paid financing model that can support only low pay and produces high staff turnover.

In a 2024 survey conducted by the National Association for the Education of Young Children (NAEYC), 68% of child care centers reported a staffing shortage.² This shortage inhibits growth, limits quality improvement, and drives many programs to close. The states and local governments featured in this Spotlight have developed innovative responses to this crisis, all providing a layer of “foundational funding” to stabilize and expand child care operations and grow the workforce.



¹ Estimate of need is based on the number of working families with children under 5. (Bipartisan Policy Center, 2021. "Child Care in 35 States: What we know and don't know.")

² NAEYC, 2024. "We Are NOT OK: Early Childhood Educators and Families Face Rising Challenges as Relief Funds Expire."

Goals for Today's conversation



Introduce 'foundational funding' approaches to address compensation for the ECE workforce

Highlight three different and innovative approaches to raise workforce compensation

Hear from you about innovative strategies you are planning/doing to address workforce compensation issues where you live

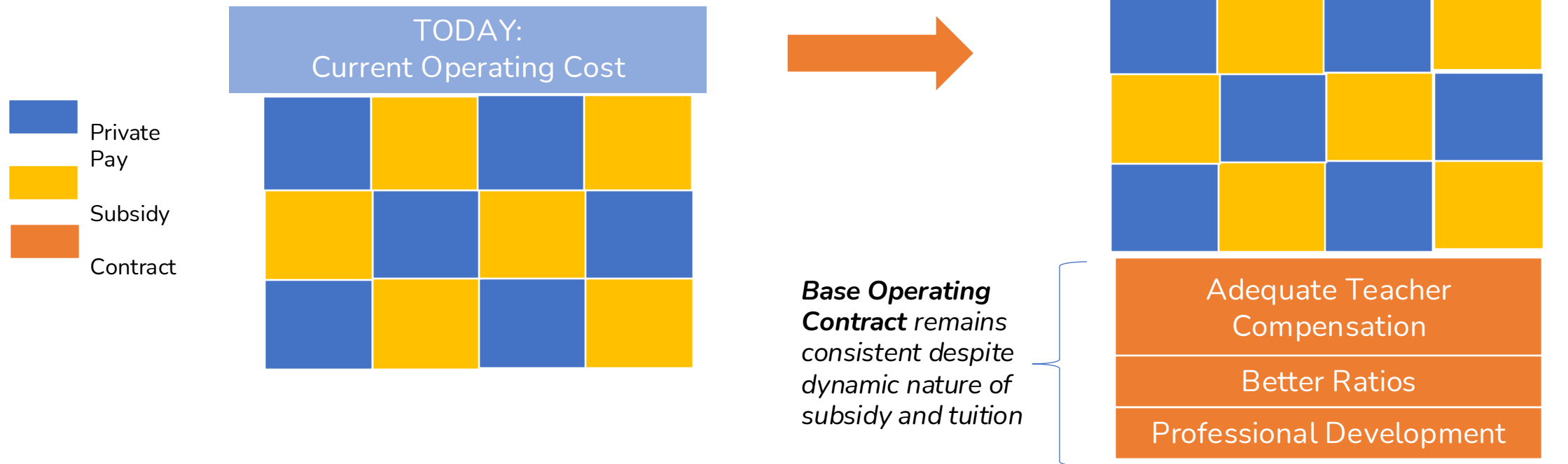
Questions for the panel presenters

Using Foundational Funding to Stabilize Programs and Increase Funding

Equitable and Stable Chi.

What is a foundational funding contract?

A foundational funding contract (or grant) can provide the necessary resources to support **higher wages** for the child care workforce and **support quality** across the field.



Foundational Contracts can support **compensation and quality**.



EARLY CHILDHOOD EDUCATOR PAY EQUITY FUND

Overview and Evolution of the Early Childhood Educator Pay Equity Fund, FY22-FY25

Nov. 14, 2024



 WE ARE
WASHINGTON
DC GOVERNMENT OF THE
DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

What is the Early Childhood Educator Pay Equity Fund?

- The Early Childhood Educator Pay Equity Fund is a special fund of the District of Columbia Government used to increase compensation of child development facility staff.
- OSSE is implementing the Early Childhood Educator Pay Equity Fund in accordance with statutory requirements and the recommendations of the Early Childhood Educator Equitable Compensation Task Force.



HealthCare4ChildCare

- **DC Residents:** Provides free health insurance for District residents and their families who are employees of OSSE licensed child development centers and homes through DC Health Link's Individual and Family Marketplace.
- **Non-District Residents:** Provides lower premiums or free health insurance for non-District residents who are employees of OSSE licensed child development centers and homes choosing to participate in through DC Health Link's Small Business marketplace (SHOP).
- **All Employees:** All full-time and part-time employees of an OSSE licensed center or home are eligible for free or lower premiums.

FY22 and FY23

- In FY22 and FY23, the Office of the State Superintendent (OSSE) partnered with AidKit to disburse supplemental payments directly to early childhood educators.



Early Child Educator Pay Equity Fund

- In FY24, OSSE began distributing Early Childhood Educator Pay Equity Funds directly to child development facilities to increase compensation for early educators through a child development facility (CDF) payroll funding formula.

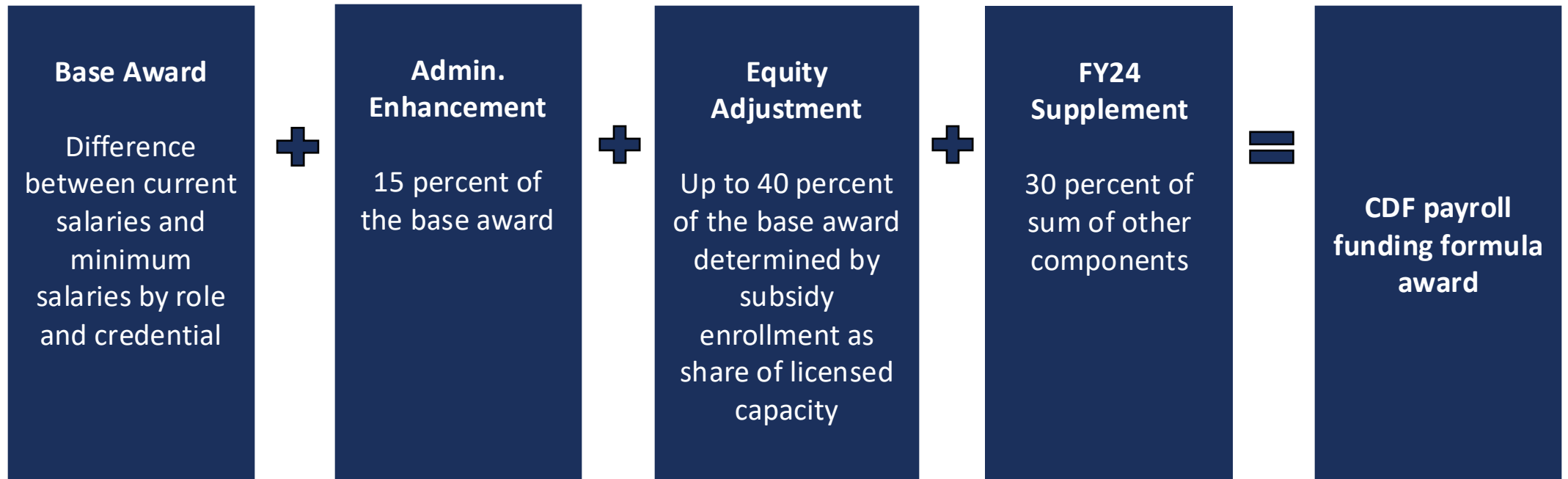


Minimum Salaries for FY24

Role	Credentials	Minimum Salaries for FY24 (annual salary)	Minimum Salaries for FY24 (hourly)
Assistant Teacher/ Associate Caregiver	Less than CDA	\$43,865	\$21.09/hour
	CDA	\$51,006	\$24.52/hour
	Associate degree or higher	\$54,262	\$26.09/hour
Lead Teacher/ Home Caregiver/ Expanded Home Caregiver	CDA	\$54,262	\$26.09/hour
	Associate degree or higher in ECE	\$63,838	\$30.69/hour
	Bachelor's degree or higher in ECE	\$75,103	\$36.11/hour

The CDF Payroll Funding Formula

- CDF payroll funding formula awards are calculated and distributed once per quarter.

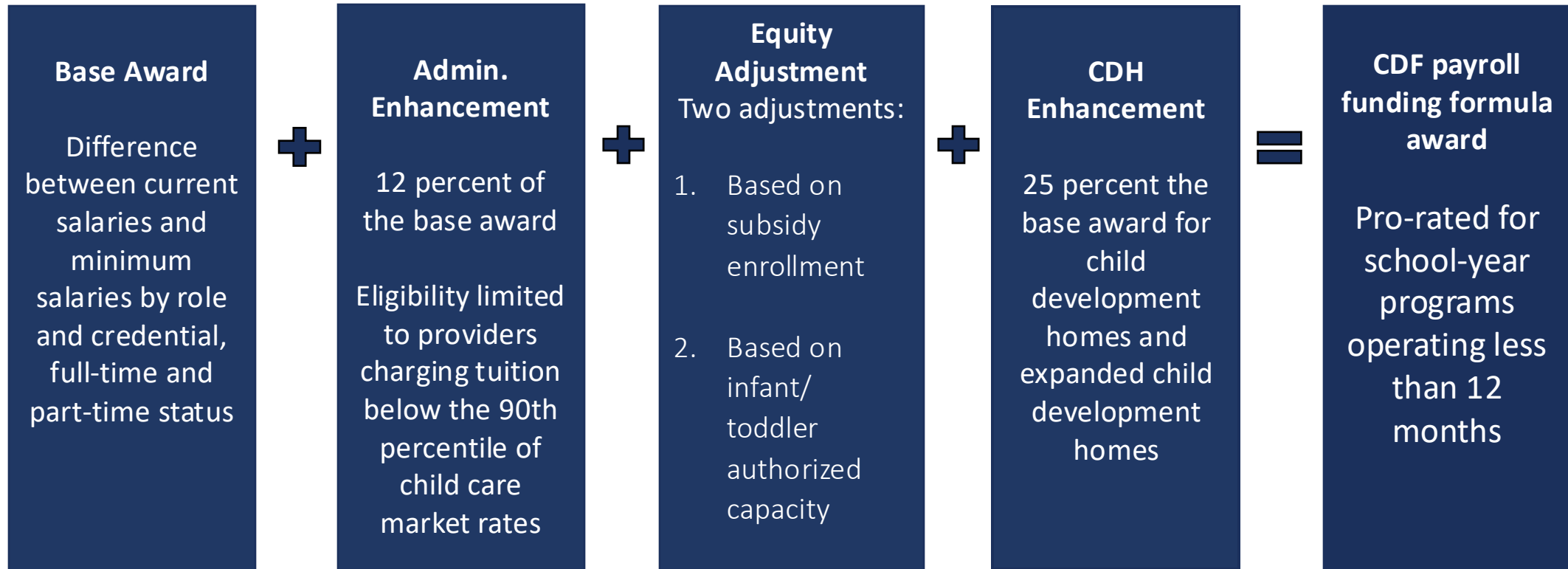


Why is OSSE making changes for FY25?

- OSSE is making changes to the Early Childhood Educator Pay Equity Fund to align the program with new funding levels and legislation.
- The District's budget for FY25 authorized \$70 million for the Early Childhood Educator Pay Equity Fund.
- The Early Childhood Educator Pay Scales Emergency Amendment Act of 2024, signed by the Mayor in October 2024, adjusts the required minimum salaries for the program.



Revised CDF Payroll Funding Formula (effective FY25)



Early Childhood Education Salary Supplement Program

Maine Office of Child and Family Services
2021 – 2024



Maine Early Childhood Salary Supplements



- From October 2021 - September 2022, Maine distributed ARPA funded stabilization grants to licensed child care programs. Included in the grants was \$200 per month for staff teaching and caring for children.
- The state's Right from the Start Coalition worked with the Maine Speaker of the House and Senate President on 3 bills over 4 years.
- In the state's budget for 2022-2023, \$12 million was included for salary supplements for Maine's child care workforce to continue the \$200 per month stipends with state funds, which marked the formal establishment of the Early Childhood Educator Workforce Salary Supplement program.
- The state budget passed in 2023 increased the funding to \$30 million annually and implemented a tiered system with increased payments as staff ascend the state's career lattice in the early care and education workforce registry.


Maine Early Childhood Salary Supplements

Overview of Program

- \$31 million per year in state general funds
- Monthly grants from the state to licensed child care programs
- Programs then distribute funding to their staff in their wages/compensation

SUPPLEMENT TIER LEVELS	ECE WORKFORCE REGISTRY LEVELS (MRTQ PDN)	MONTHLY SUPPLEMENT AMOUNT
Tier 1	Level 1, Level 2, Level 3, Level 4	\$240
Tier 2	Level 5, Level 6	\$360
Tier 3	Level 7, Level 8	\$540

Maine Workforce Registry Levels

	Less than HS	HS	CDA/Maine Credential	Associates	Bachelors	Masters	Doctorate
Level 8						Related Masters and 5 years of experience	Related Doctorate and 2 years of experience
Level 7					Related Bachelors and 5 years of experience	Related Masters and 2 years of experience	Related Doctorate
Level 6				Related Associates and 5 years of experience	Related Bachelors and 2 years of experience	Related Masters OR Unrelated Masters with 24 college credits in ECE and 5 years of experience	
Level 5			6 years of Experience	Related Associates and 2 years of experience	Related Bachelors OR Unrelated Bachelors with 12 college credits in ECE and 5 years of experience		
Level 4		5 Years of Experience And 135 hours of CKT OR 9 college credits in ECE	3 Years of Experience	Related Associates OR Unrelated Associates with 12 college credits in ECE and 2 years of experience			
Level 3		3 years of Experience and 90 hours of CKT OR 6 college credits in ECE	1 Year of Experience				
Level 2		1 year of Experience And 45 hours of CKT OR 3 college credits in ECE					
Level 1	30 days of Experience and 6 hours of Core Knowledge Training (CKT)						

Related Degrees include Early Childhood Education or Development, or Human Services

An unrelated degree can be considered related with 36 related credits

Maine Salary Supplement Program Data

Total number of staff by MRTQ career lattice level

MRTQ Lattice	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24
Level 0	820	221	165	92	106	76	80	71	73	77	68
Tier 1											
Level 1	3147	3515	3543	3648	3652	3712	3696	3695	3725	3694	3595
Level 2	388	410	423	437	483	511	525	523	532	543	556
Level 3	275	280	374	313	334	347	352	341	358	367	367
Level 4	462	448	449	459	475	476	469	479	477	466	459
Total 1	4272	4653	4709	4857	4944	5046	5042	5038	5092	5070	4977
Tier 2											
Level 5	650	656	675	691	746	763	764	772	778	780	787
Level 6	531	498	498	514	525	534	532	534	553	549	557
Total 2	772	1154	1173	1205	1271	1297	1296	1306	1331	1329	1344
Tier 3											
Level 7	585	620	670	724	763	778	791	802	807	801	813
Level 8	187	194	225	243	262	262	262	267	268	256	274
Total 3	772	814	895	967	1025	1040	1053	1069	1075	1057	1087
Total Staff	7045	6842	6942	7121	7346	7459	7471	7484	7571	7533	7476



Commonwealth Cares for Children (C3) Department of Early Education and Care MA

C3 Overview

For nearly three years, [Commonwealth Cares for Children \(C3\)](#) has served as a vital source of financial stability for the state's rebounding early education and care sector, providing monthly payments to approximately 8,323 licensed and funded child care programs across the state.

Since its launch, C3 funding has helped to support:



Stabilizing operational expenses and maintain capacity for working families



Addressing some of the challenges that the sector faces with recruiting and retaining educators and staff through new investments in the workforce including increased compensation, benefits, and professional development



Mitigating the need for tuition/fee increases in the face of significant rising costs, benefiting a broad range of working families



Sustaining and building the quality of services and education that families with young children need to work and thrive

C3 has been a critical support for the field

Through C3 participation and ongoing surveys, EEC has an unprecedented understanding of programs' needs and progress across the diversity of the system.

Tracking Changes Over Time



Program Stability

- License capacity exceeds pre-pandemic levels
- Some programs rely heavily on C3 funding to sustain operations



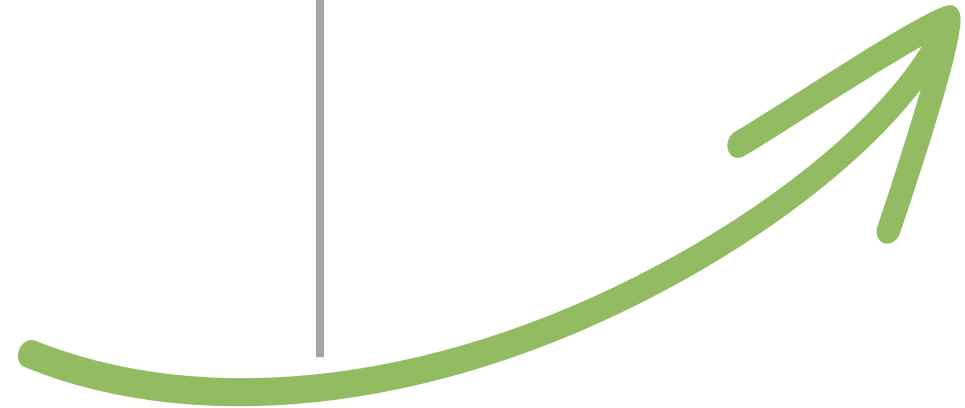
Workforce Supports

- Educator compensation has grown during the C3 period



Family Access

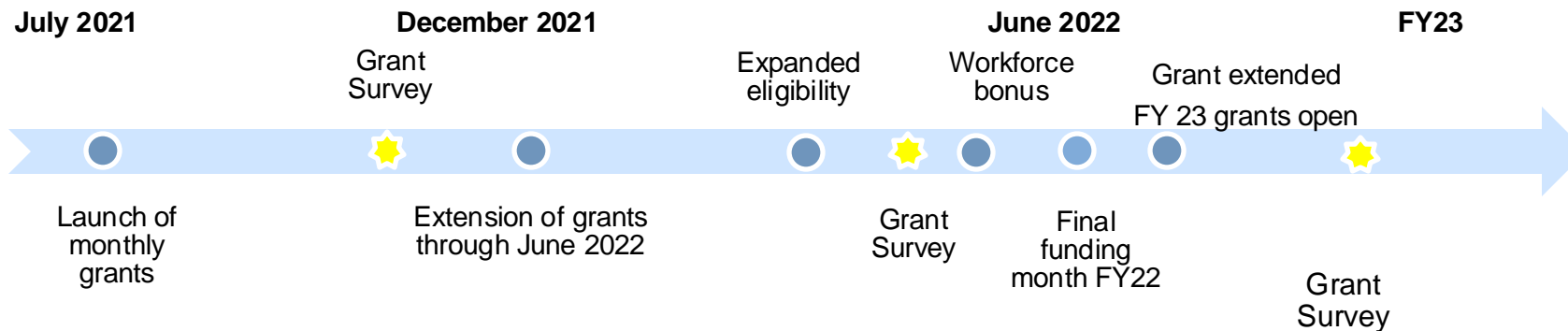
- Programs report using C3 funds to maintain affordability for families



Commonwealth Cares for Children (C3) Timeline & Funding

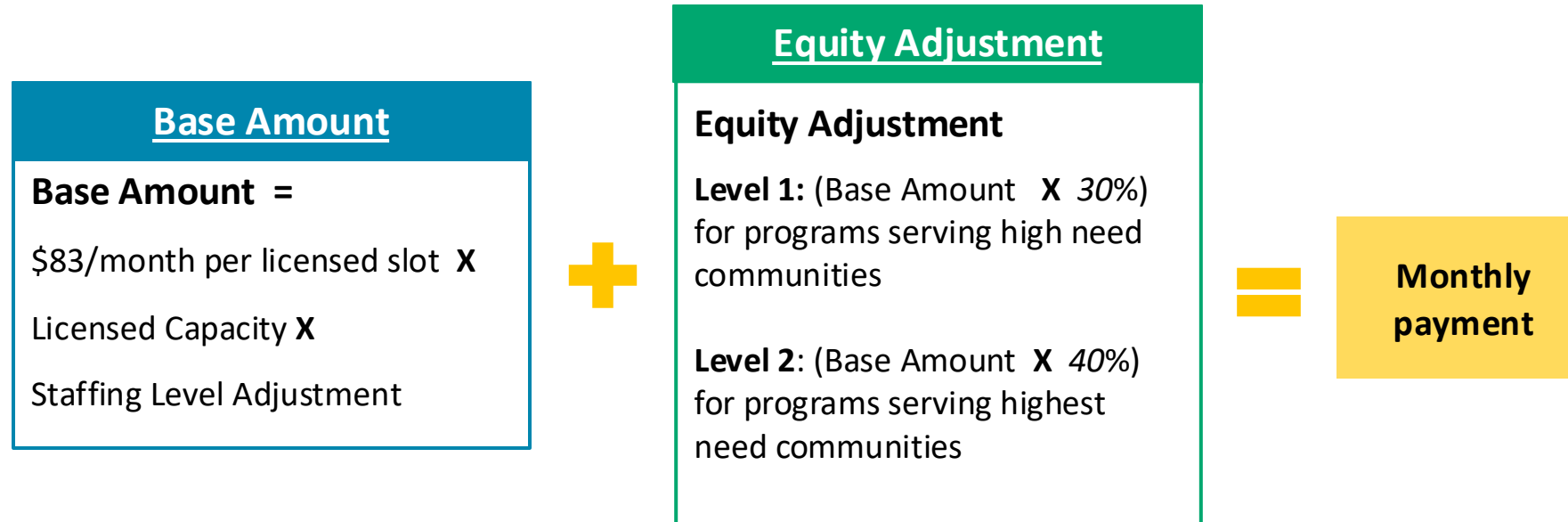


>90% of licensed programs receive C3 funding



- FY22 grants were funded through a combination of Federal funds from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARPA).
- Through the FY23 budget, C3 grants were extended into FY23 at \$250M, with a combination of ARPA Supplemental funds and state dollars.
- The Economic Development Bill recently passed includes \$150M for the C3 program: \$90M to support continuation of the grants through at least April 2023; and a \$60M set-aside for additional payments to programs serving subsidized families.
- FY24 and FY25 funding fully state funded at \$475M per year

C3 Funding Formula – Original Formula

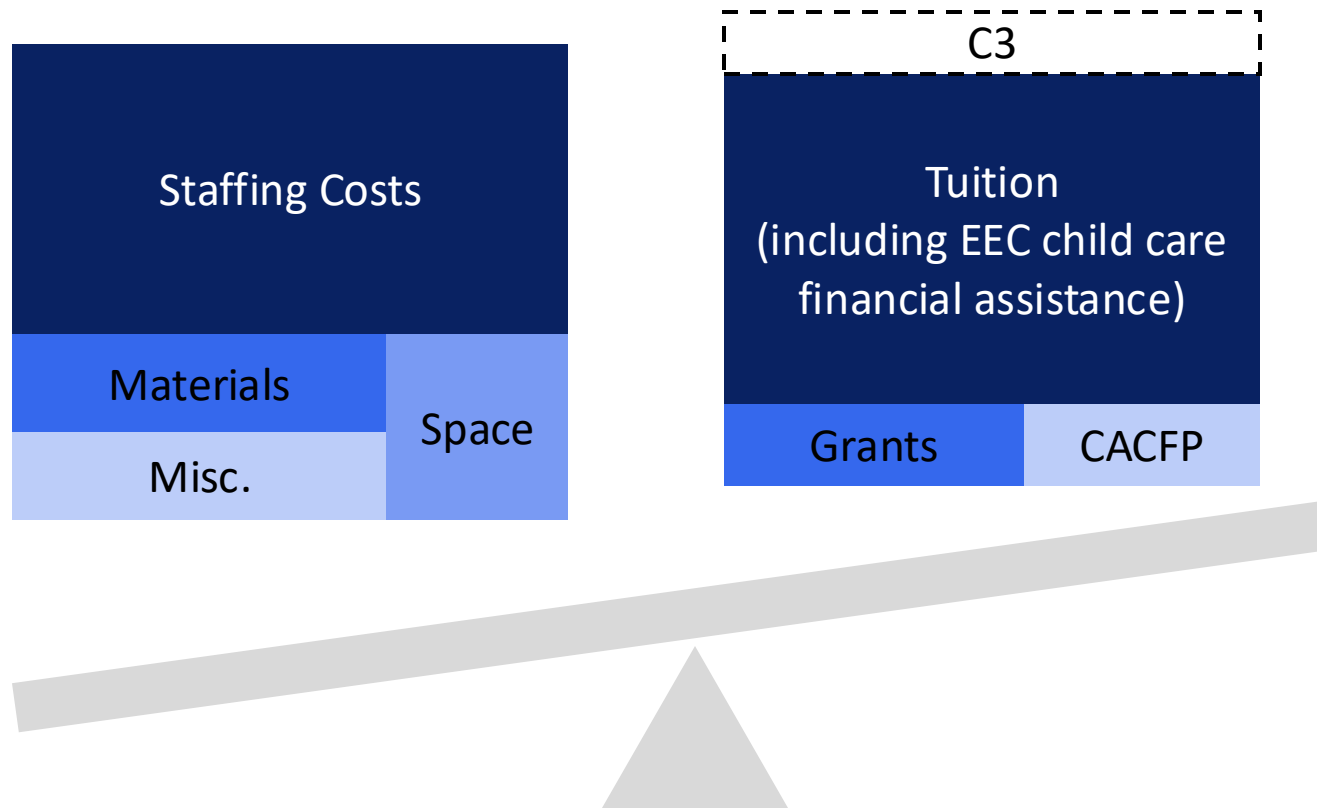


Base Amount
 Eligible providers receive a base amount of \$83.33/ month for each licensed seat in their program (or 10 seats for all FCCs).

Staffing Level Adjustment
 GSA providers receive staffing level adjustment based on the ratio between the number of FTEs employed and minimum required by regulations to serve their license capacity. FCC providers receive an additional 1.5X their base amount for a part-time assistant and additional 2X for a full-time assistant.

Equity Adjustment
 If a provider is located in a high SVI census tract or zip code and/or if a provider serves between 1/3 to 2/3 of its license capacity with children receiving subsidies, their base amount per slot and staffing adjustment is multiplied by 1.3. If a provider is in a highest SVI census tract or zip code and/or serves more than 2/3 of its capacity with children receiving subsidies, their base amount per slot and staffing adjustment is multiplied by 1.4.

C3 funds play a key role in supporting the early education and care market.



In a functioning market, revenues are expected to be greater than costs, allowing for reasonable reserves and opportunities for reinvestments.

- Child care revenue comes largely from tuition, whether in the form of parent fees or child care financial assistance from EEC.
- Data from C3 grantees points to ongoing challenges in balancing costs associated with workforce retention with affordability for families.
- C3 helps programs mitigate the need for tuition/fee increases in the face of significant rising costs, benefiting a broad range of working families.

As of the most recent C3 survey, 1,161 providers report they would close without C3 funds.

C3 Goals for FY25

- **Recognize C3 as a critical funding mechanism for the early education and care sector** that provides ongoing operational resources to programs.
- **Maintain C3 universality** to sustain and expand capacity to serve working families, invest in workforce and program quality, and build a system that is more accessible and affordable for all families.
- **Provide more equitable distributions aligned with expected costs and enrollment** to better support all programs serving infants and toddlers, providing longer hours, etc.
- **Direct additional funding to programs that serve low- and moderate-income working families** including supporting and incentivizing programs to serve children that receive EEC Child Care Financial Assistance (CCFA).
- **Ensure funding predictability and flexibility** at the state and individual program level for planning and budget management.

C3 Formula for FY25

Base Rate

License Capacity (adjusted by % enrolled)

X

Differential Rates Based on Youngest Age Served (Center-Based) or Staffing (Family Child Care) and Hours of Operation

Based on cost models, this part of the formula recognizes differential gaps between revenue and costs faced by programs serving children of different ages and operating full or part time.

Equity Adjustment

X

Based on Program Tier

This part of the formula recognizes programs serving children with CCFA, other financial scholarships provided to families, and those in a very low opportunity area.

C3 Tiers for FY25

EEC proposes building upon the FY24 C3 tiers by making a few key adjustments. This includes recognizing affordability measures beyond CCFA participation, better incorporating geographic equity, and encouraging CCFA participation.

- **Tier 1:** 25% or more receiving CCFA or Head Start programs
- **Tier 2:** 1-25% children receiving CCFA or;
 - Programs that provide meaningful % of non-CCFA scholarships for their educators or needs-based financial assistance for families; or
 - Programs located in communities with lowest resources for children (using new place-based metric outlined in Appendix) to recognize that CCFA system is not yet covering the whole state equitably.
- **Tier 3:** Programs that do not meet criteria for Tiers 1 or 2
- **Allow for flexibility in fund allocation between tiers** to recognize shifts in CCFA enrollment over time, incentivize increased participation in CCFA, and maximize all available C3 funding.

Thank you!

